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CONTENTS

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With Our Readers

Sirs:

New Deal, Old Deal or any other kind of a deal is not going to restore what in this country we call prosperity for the reason that all attempts to do so will butt up against the stone wall of vast and permanent unemployment. How can unemployment be otherwise than permanent for vast numbers when employers have a fixed rule that denies employment to all over forty-five years of age? And even if there was no such rule, constantly improving technology would build the wall higher and higher.

This army of unemployed will receive only subsistence incomes and they will compose such a large proportion of the population that their inability to buy luxuries—the consumption of which is vital to the standard of living we seek for the whole of the population—would seem to shut out hope for restoration of that standard. The question is, what are we going to do about it? My view is that the machine will have to be penalized to furnish the funds wherewith the permanently unemployed can buy the luxuries that must be consumed to keep the machines running. In other words, the products of the machines must be taxed for this specific purpose.—W. C., Buffalo, N. Y.

The warning that you sound has been uttered from time to time ever since the dawn of mechanization, usually in periods of depression when distress makes it difficult to retain a clear perspective. The prosperity standard of living that you refer to was attained in this country largely on the foundations laid by mechanical and technological progress. The effect of such progress is to lower costs. Lower costs enlarge purchasing power. Enlarged purchasing power makes for prosperity. To lay special taxes on the machine would be the same in economic effect as making it less efficient. There is very little machinery in China and most everybody is at work, but the resulting condition is not prosperity. On the contrary, it is poverty.—Ed.

Sirs:

I do not very often write letters to papers, but I am always quite interested in reading those that are published in your magazine. There are many things that puzzle me these days, which may be very clear to you.

I have frequently read articles to the effect that fear of inflation is holding up heavy construction work, building, etc. This does not seem reasonable to me as the prospect of cheap money should be an incentive to incur obligations now.

Another claim often made is that people with money are afraid to make investments because we may have either currency or credit inflation. These writers have the impression that these careful people keep their money in the banks awaiting a definite clue as to what will happen. The thing I do not understand about this is how can a bank credit be a hedge against cheapened currency? Would these people not be equally well off if they owned bonds?

There is also the question of the gold standard and the repudiation of the gold clause. Who really is or was injured by our departure from the gold standard? Who was or is injured by reducing the amount of gold which symbolizes the dollar? Isn't the real value of money dependent on what it will purchase in food, clothing, shelter, etc., rather than the amount of gold it will buy? Except for foods and gold a dollar buys as much or more today than it ever has during my lifetime and is as hard to get. Why then do they continue to speak about our cheapened dollar?

There are other economists (?) who proceed on the theory that if wages and incomes are cut 50% and the cost of commodities is reduced in like manner there is a balance and no one is harmed. Is it not a fact that this is true only with respect to people that have no fixed dollar obligations? What about the debtor with a fixed interest and amortization charge, an insurance premium, taxes, etc.? It is evident that deflation in prices cannot be carried very far without causing ruin.

There are also writers who argue that the railroads, public service companies, etc., do not in fact pay any taxes, but merely serve as tax collectors for the several governmental bodies, Federal, state, county, etc. If this is true, then is it not equally true that no one pays taxes, but merely collects it and passes it along to the government?

It is evident that very many other points could be touched upon, but the chances are that this letter will not be published and, even if it were, I can see no real good that would come from it.

I have watched the battle for over 5 years and it seems that the Biblical proverb "A house divided against itself shall fall" may soon have its truth demonstrated here.—M. E., Denver, Colo.

Sirs:

I read the excellent articles presented in your magazine whereby you seek to clear the air and aid your readers to understand their problems as investors. But I would appreciate your interest in our behalf much more if you would try to build up the membership of the American Federation of Utility Investors. Why not give us a write up; and print membership application blanks? We need five million members, not merely to beat the Wheeler-Rayburn Bill, to fight many a municipal ownership battle in the near future. Who knows but what Mr. Roosevelt may use some of the five billion dollars to help communities build their own plants?

I believe that, in the past, you tried to organize the investors of the country but that the effort met with little success. It is different now. There is a great, compelling motive for getting together. We are all threatened with ruin at the hands of a few social revolutionists who are not at all responsible to the people of our country, and who are willing that we should pay any price in order to carry out their theories of social reform. We have a good, rapidly growing organization. Will you get busy and help?

The real issue before this country today is the gross abuse of the interstate commerce clause in the Federal Constitution and the ruthless invasion of the rights of the states. In this lies the true and ominous "Challenge to Liberty" that confronts each individual today. Rights not granted to the Federal Government in the Constitution were reserved to the states. The "New Dealers" willfully ignore this fact and propose to do anything that their program calls for. Would it not be well for all of us to remember that in simplicity lies the strength of our national government?—W. H. B., Albany, N. Y.

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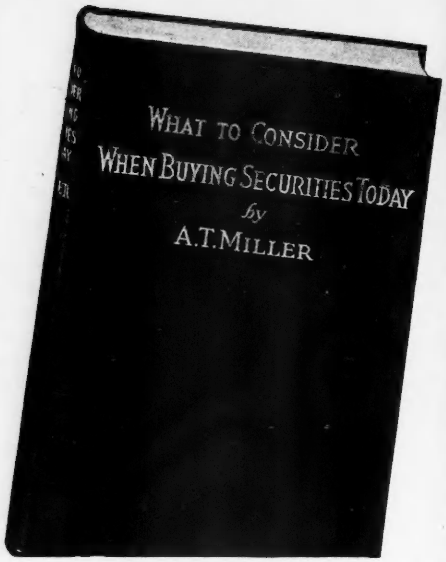

What to Consider When Buying Securities Today

By A. T. Miller

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CONTENTS

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WITH THE EDITORS

Concerning Huns and Vandals

AS we see the rise of the demagogues and "share-the-wealthers" in this country and note the prevailing hallucination that the politicians can manage almost everything better than it used to be managed by private business interests, we cannot help but recall the dire prophecy made about us by Lord Macaulay seventy-eight years ago.

"Either some Caesar or Napoleon will seize the Government with a strong hand," he wrote to a friend, "or your Republic will be fearfully plundered and laid waste by barbarians in the Twentieth Century as the Roman Empire was in the Fifth; with this difference, that the Huns and Vandals who ravaged the Roman Empire came from without, and that your Huns and Vandals will have been engendered within your own country by your own institution."

We think of it particularly as we watch our demagogues cultivate the votes of the unthinking by ruthlessly plundering the vast public utility industry. Regardless of the precise form of the Wheeler-Rayburn Bill in final enactment, it is difficult to foresee an end to the general attack short of the ultimate inevitable public revulsion after political power experiments have demonstrated their waste, inefficiency and failure—and that will be a lesson learned at tragic cost.

Against the sheer emotionalism of the "utility issue," reality and reason have no weight. Applying them merely stamps one as a Tory and Reactionary, a defender of Property Rights above Human Rights. There is a veritable Alice in Wonderland absurdity about the thing—and yet, there it is, neither fiction nor a dream.

What consummate humorists these politicians are as with the left hand they extend a promise of saving the public something on its domestic electricity bill of six hundred-odd millions a year while with the right hand they dig ever deeper into that same gullible public's pockets for taxes upward of ten billion dollars a year!

Under the New Deal to date domestic electricity bills have come down by about 6 per cent, and the value of public utility stocks has declined by more than two and one-half billions of dollars. Meanwhile, the cost of food has risen by 35 per cent and that of clothing by 25 per cent. The public will pay more than three billion dollars more for food this year than it paid in 1933. If the light bill were cut in half we could use that money to pay scarcely 10 per cent of the *increase* in food costs.

All of which the demagogues will laugh away as they continue to promise the distressed and the dissatisfied a more abundant life—not by creation, but by confiscation and redistribution.

Certainly our modern Huns and Vandals have done a pretty thorough job of plundering the punch-drunk utility investor. If the present situation holds any grains of hope and solace for him, they are detailed on following pages of this special Public Utility issue of THE MAGAZINE OF WALL STREET.

In the Next Issue

When the Gold Bloc Goes Off

Will Our Prices Be Forced Down As the Dollar Rises?
Will the French Crisis Force Early Agreement on Stabilization?

By H. M. TREMAINE

An Investment Realist's View of the Railroad Prospect

Opportunities in Senior Issues

By MILTON L. GROSVENOR

Will Heavy Industries Take Up the Stock in Steel?

By WARD GATES

Low-Priced Profit Opportunities—Special Selections of Stocks Which Have Not Yet Discounted Their Future

E. Kenneth Burger
Managing Editor

C. G. Wyckoff
Publisher

Theodore M. Knappen
Laurence Stern
Associate Editors

The Trend of Events

MORE THAN ONE BIRD HAS BEEN KILLED

THE judicial blow that killed N R A casts grave doubt on the constitutional validity of the pending A A A amendments, of the Wagner Labor Disputes Bill, of the Black 30-Hour Week Bill, of the Wheeler-Rayburn Utility Bill and of at least some aspects of the broad Social Security legislation.

It may very well be that further Supreme Court tests will be required to clarify all the issues involved in these various measures, but the Court's clear, forceful and unanimous interpretation of the "commerce clause" constitutes handwriting upon the wall that Congress and the Administration will ignore at their peril. The resort to subterfuge and tricky legal phrases can not give them powers which the Court holds they do not possess under the Constitution.

The Administration's wilful delay in meeting the Constitutional tests has proven a folly costly to itself and to the country. It would be folly compounded to rush ahead with the pending legislative program without full and frank consideration of the basic legality of each measure. It is time that we look before we leap. In the view of the great majority of observers, there is not the slightest doubt as to the illegality at least of the pending A A A amendments, which would give the Secretary of Agriculture the powers of a czar over a $20,000,000,000 a year food business; and of the Wagner Labor Bill and the 30-Hour-Week Bill.

Indeed, this appears so clear that business probably has already lost its previous great fear of the latter two nostrums. With them either out of the picture or almost certain to be eliminated by legal test, business men can breathe a deep sigh of relief and say: "And now to business as usual."

THE FRENCH CRISIS

FOR some two years now the world has been saying that France would be forced to cut the existing gold value of the franc; that no country could possibly withstand the merciless deflation that any other course would entail. The world was right about the deflation, but it under-estimated the staying-power of the French people. They have seen trade sink lower and lower at home, exports stagnate, unemployment and discontent grow; yet with an admirable obstinacy they refuse to bow to what ultimately is the inevitable. The most violent attack on the franc so far has just been beaten off, the cost of the victory being the loss of enormous quantities of gold, the raising of the central bank's rediscount rate to a point that must further discourage business and, finally, the fall of the government. The new cabinet will receive the

extraordinary powers that were demanded by ex-Premier Flandin who, when the same powers were refused him by the Chamber of Deputies, resigned. Since the formation of the new cabinet, the situation has been unexpectedly calm and the fact that the Swiss referendum has just rejected a proposal to amend the Swiss constitution in a manner aimed to lift the deflationary pressure in that country gave further encouragement to the enemies of devaluation. Yet, France's basic economic problems are no nearer solution; she must, if she is to maintain the existing gold value of the franc, do a number of things, all unpleasant. In the first place the budget must be balanced, and soon, for although it may take time there is no surer way of destroying a currency than a chronic state of unbalance in the financial affairs of a country's government. To do this, there must be further cuts in civil service salaries, deflation of agricultural prices and a curtailment of uneconomic agricultural schemes and, finally, less lavish expenditures for national defense—probably the hardest pill of all to swallow. Can it be done and devaluation avoided? Perhaps, but in the long run, we doubt it.

WORK RELIEF TO THE FRONT

THE Work Relief Administration now stands out as the one immediately potential unit left of the New Deal program. Four billion dollars is a stupendous sum, but only so, in comparison with even the present low volume of business, when compacted in the time of its expenditure. On the other hand, its effectiveness as a primer depends largely upon the selection of projects that will apply appropriations at key points in the industrial system, and their intelligent planning. Both take time. But time does not wait either in economics or politics.

The progress of spontaneous recovery may soon make delayed work-relief superfluous or even obstructive; on the other hand, tardiness of operation and excessive allowances for relief payrolls may leave it with no claim for credit except of being the most wasteful relief of indifference known in all history. The President once said that relief work would reach its maximum of expenditures by next November. That is possible, but it is certain that the maximum of effectiveness of expenditures can not be reached by then. However, it may transpire that when the composite peak of effectiveness and volume is reached it may be at an opportune moment. The big shot in the arm may be fortuitously delayed until the psychological moment. We hope it will be. To miss fire with a four-billion shot would be too much even for this hazard-loving nation.

ELASTIC YARDSTICK?

SUCH slender hope as one can entertain that the New Deal's electric power "yardsticks" will be erected on a fair and honest basis appears to rest upon a minority of Congress and upon the politically independent Comptroller McCarl.

In the House military affairs committee, considering T V A amendments designed to circumvent an unfavorable Federal district court decision, a dozen or so hardy souls are so out of step with the New Deal spirit as to believe that the Tennessee Valley experiment should be subjected to accounting practices identical with those required of the private utilities. As a result the committee has reached an impasse delaying the reporting out of the legislation to the House.

As for Comptroller McCarl, he has had the temerity to suggest that administrative official spending public moneys must obey the terms of the law from which they derive their powers—his audit of T V A having shown certain questionable departures from sound accounting methods. For this Senator Norris, to whom he was once secretary, has sorrowfully rebuked him, saying that in subjecting T V A "to technical sections of statutes" he has taken away from them "all discretion whatsoever."

Discretion to do what? Obviously, to conceal in one way or another the real public cost of this venture so as to magnify the accomplishments paraded to public view. True, the private utilities in the past have been guilty of some tricky practices in accounting—but that does not justify similar trickiness in a public agency set up with a claim of high idealism.

FRAZIER-LEMKE DECISION

THE Frazier-Lemke decision recently handed down by the Supreme Court is of fundamental importance. The law sought to solve the grave social problems of increasing farm tenancy and insupportable debt by taking farm property from the mortgagee and giving it to the mortgagor. It assumed to be in pursuance of the Constitutional authority of Congress to enact general bankruptcy legislation but it ignored the Fifth Amendment which commands that however great the nation's need, private property shall not be taken even for a wholly public use without just compensation. The decision bulwarks the institution of private property against indirect attacks upon it and particularly encourages the return of investment funds to rural financing. It bulwarks the Constitution against legislative disregard of it and it preserves at least a measure of the real sanctity of contracts against Congressional abuse of its Constitutional power to abrogate contracts, as it did in the gold clause legislation. The broad objectives of the act can be and are being so attained in other and Constitutional acts of Congress, so the decision can not be condemned as a narrow legalistic interference with social justice.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 166. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, June 3, 1935.

As I See It — By Charles Benedict

Emergency Legislation Outlived Its Usefulness

TO meet the desperate emergency resulting from the depression, Congress granted extraordinary powers to the President. And, the energy and spirit with which President Roosevelt took hold of the nation's problems inspired the country,—changing the psychology from despair to hope overnight.

It is only because the Government went too far—became too all-inclusive and omnipotent—that thoughtful men began to fear for their liberty. This is an adult nation which has gone beyond the age requiring a wet nurse,—and the irritation caused by these inexperienced nurses trained in laboratories where they made their experiments on robots rather than human beings, naturally brought on a revolt. To have pursued the course which was started in an emergency and continued it to the bitter end when it was no longer necessary, would have created greater chaos and hardship for this country than any which we have yet endured.

The decision of the Supreme Court on the N R A is, therefore, a heartening thing. It tells us that the Constitution stands as the bulwark of the people against encroachment of the liberties of all the people. We no longer need to fear that we are drifting to God knows where. With one voice the nine judges declared: "Extraordinary conditions do not create or enlarge Constitutional powers. The Constitution established a national government with powers deemed to be adequate, as they proved to be in both war and peace. But these powers of the national government are limited to the Constitutional grants. Those who acted under these grants are not at liberty to transcend the imposed limits because they believe that more or different power is necessary." In other words, dictatorship under the plea of a national emergency is disallowed, and we return to private enterprise and individual business initiative. Common sense supplants experimentation and dictatorial government control. The radical element of the country has been decisively rebuffed.

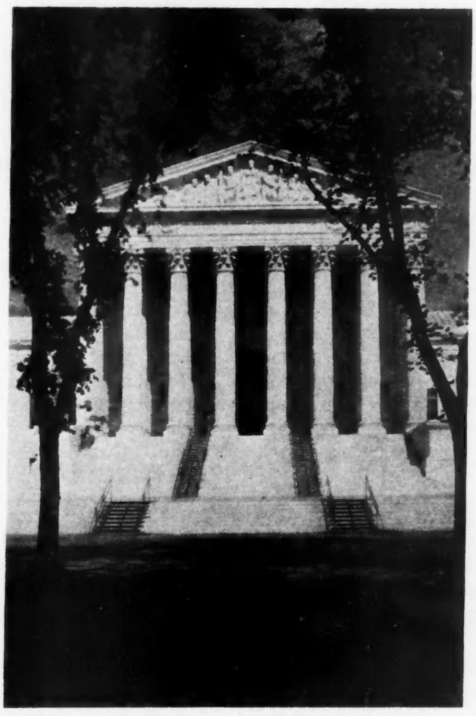
This nation remains a free republican democracy. The Constitution stands as the united will of the people. It may be amended but its character cannot be altered. Neither the President, nor Congress, nor a swarm of bureaucrats or self-constituted "authority" of private persons may write and impose law without authentic sanction.

"Thank God for the Supreme Court," said a Senator. The nation concurs.

It is to be doubted whether any more than a minority of the people share the President's concern over the limitations placed on the power of Federal Government and the uncertainty cast over A A A and other New Deal experiments. Nor is there widespread regret that much of the legislation now on the Congressional "must" program will be subject to considerable modification. Certainly radical features in the proposed Banking Act, the Utilities Bill and various labor measures can be tempered, with benefit to all.

Business, industry and finance now have a chance to show that they have learned something in the

(Please turn to page 219)



Geo. W. Stetson Photo

New Supreme Court Building at Washington

N R A Decision Dominates Near-Term Market Outlook

Long Range Prospect Increasingly Favorable

What to Do Now

By A. T. Miller

THE Supreme Court's decision invalidating N R A has become the dominant influence in the near-term stock market outlook, both because of its direct importance to business and its indirect implications upon various pending legislative measures of business concern.

The response of the market has been an active, irregular and fairly sharp reaction. This reflects the logical belief that among the effects of N R A abandonment will be at least some temporary unsettlement of price and competitive relationships in some industries. It also reflects the general uncertainty that would naturally accompany the sudden termination of an agency which has played so prominent a part in the business world during the past two years.

Reaction Was Due

Yet is must be observed that the actual significance of the N R A decision, either as regards the near term outlook or the longer prospect, can not confidently be measured in terms of the current set-back in the stock market for the simple reason that this development happened to catch the market in a vulnerable technical condition. The exceedingly selective advance, led mainly by industrials of the highest grade, had been in progress since the middle of March without corrective reaction of more than nominal proportions at any time. After such a period almost any news development subject to even partially unfavorable speculative interpretation would be adequate excuse for concerted profit-taking and a brisk technical shake-out, if not for an intermediate reversal of trend lasting several weeks or longer.

It is difficult to escape the conclusion that somewhat further decline is justified, although on lines as selective and discriminating as had been the preceding advance. That, however, is purely a short-term prospect, for it is our confident conviction that in its longer significance the decision in the Schechter case is a bullish development of the first importance, greatly enhancing the prospect for normal economic recovery.

This contradiction between the immediate influence and the longer influence poses a problem in market analysis of almost baffling complexity. On the one hand we have a technical position rendered vulnerable by weeks of advance; we have the certainty of at least some price deflation in finished goods as a result of the liquidation of N R A; and we have business itself in what might be termed a weakened technical position, since seasonal recession already was under way after the notable and protracted advance which began last November and extended into the spring. Taking these factors into account, the timing of the N R A decision in unfortunate.

On the other hand, we have pointed out before that the market's advance from the March low could not have rested on the immediate business prospect—which pointed to recession—but could only have rested on the "taking hold" of inflationary credit factors, plus growing confidence in the longer business prospect justified by evidence of a beginning of improvement in capital goods and in construction, and by incipient revival in new financing.

Now all of these longer-term factors are greatly strengthened by the clear-cut N R A decision, for reasons which we shall hereafter discuss; with the result that the basic elements in the picture are stronger today than they were at any time during the March-May advance.

From which one must come to the conclusion that if there was a basis for strong investment absorption of equities in March, April and May, then there is a stronger basis for it today. Against this will be the logical reasoning of speculators and investors that immediate business uncertainties probably justify deferring accumulation on the prospect of at least moderately lower prices, together with the thought that the combination of seasonal industrial recession and a period of business adjustment to operations without N R A would seem to preclude risk of "missing the boat."

A Cushion For Decline

Under the circumstances we are inclined to assume that the backlog of latent demand, both investment and speculative, is more likely to act as a cushion to decline than as a lever in early resumption of major advance. Conceivably the period of adjustment and hesitation facing both business and the market could last a month or two, but specific forecast of its duration is impossible.

In our preceding issue, taking into account the prevailing cheap money and credit inflation factors, as well as the favorable longer term business outlook, we recommended that periods of reaction be availed of for selective accumulation of soundly-priced stocks. We advise that the present period be accepted as such an opportunity, with the further reservation that since adjustment to the new N R A situation precludes forecasting the possible scope of reaction, commitments should be prudently made on a scale-down basis.

Our greatly-increased confidence in the longer outlook rests upon two general lines of reasoning. In the first place, we have long regarded the mistakenly-conceived N R A as a deflationary influence upon aggregate business activity, regardless of its undeniable benefits to several sick industries—notably textiles and coal—and the corporations therein.

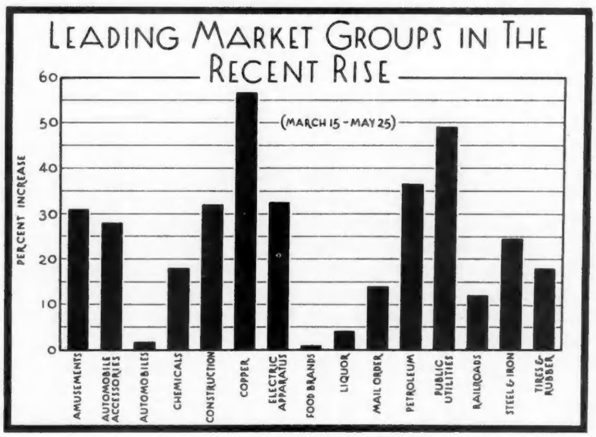
The fallacy behind it was a basic one in that it tended to increase the unit costs of business ahead of both volume and profits. It is a debatable question whether by curtailing public purchasing power through the imposition of higher prices of finished goods it did not destroy about as much employment as it arbitrarily created. Moreover, many of the price rises that it caused were neither economically necessary nor justified. At the time it was created the most badly-needed adjustment was to correct the serious disparity between agricultural prices and industrial prices. Thus, N R A tended to limit the real gains made by agriculture.

Indeed, we are inclined to believe that N R A at least partly tended to neutralize the stimulating effects of the public works policy and the inflationary monetary policy. Finally, representing a centralized, bureaucratic control over business—without known or clearly defined limits—it constituted a psychological handicap of the first importance to private business initiative and confidence.

More Hopeful Legislative Prospect

Our second line of reasoning is that the vital and unanimous Supreme Court decision plainly seals the legal doom of such threats to business as have been contained in the pending Wagner Labor Disputes Bill and the Black 30-Hour Week Bill unless they are so greatly modified as to lose their most objectionable features. Indeed, the decision casts some doubt on the validity of almost all of the pending legislative "musts" of President Roosevelt, at least in their present form.

Even beyond consideration of the possible effects of the decision on specific measures, there is this vastly important psychological consideration: namely, that business for more than two years has been harrassed by vague fears of a constantly expanding and unlimited regulatory power exercised by Congress and the Administration, and that it now sees this assumed power for the first time brought under definite and conclusive check.



The effect in our mind—and probably in the minds of thousands of business men—is like a sudden thunderstorm that magically clears the air. The New Deal is not dead, but plainly it is a thing of limited—and not unlimited—power. We do not see how business in the aggregate, whatever the unfavorable effect on a minority of chronically-sick industries, can fail to breathe a sigh of relief, buckle down to the necessary immediate adjustments and then march ahead with sounder confidence than it has had at any time since we turned the corner of the depression in March, 1933.

While we have not heard the end of political nostrums and follies, certainly any henceforth dangled before our eyes can be regarded with greater equanimity by business. For the first time business can feel its shackles falling away. They can not again be clamped on except by open and deliberative constitutional processes before the court of public opinion, in marked contrast to the amazing and frightening seizure of extra-legal power by Congress and the White House during the past two unstable years.

Such hopeful considerations, it must again be emphasized, apply to the longer outlook. The effect of immediate uncertainties centering in a projected period of price readjustments can scarcely fail to deepen the present seasonal dip in the trend of aggregate business activity. One of the first results will no doubt be a pronounced curtailment of forward buying until a clearer prospect of the price trend in various major commodities can be had.

Most of the speculative commodity markets at this writing reflect moderate weakness. Agricultural products which have been supported by the A A A program have been subjected to prompt pressure on the belief that at least some parts of this program have now been placed under a legal cloud by the N R A decision. It is worth noting, however, that wheat had been in a downtrend since mid-April, discounting the breaking of the drought in some areas and a consequently improved crop outlook, and that the decline had amounted to nearly 15 cents a bushel before the present additional factors entered the picture.

Foreign Factors

For the time being the reaction in our basic commodities is plainly dominated by domestic developments, the dollar price of the pound sterling in recent weeks having been advanced substantially in reflection of the French crisis and the movement of French funds into sterling.

It must be acknowledged that the present international monetary confusion adds to the stock market's uncertainties, both immediate and for the longer term. In the event of devaluation of the French franc, now or within the next three or four months, the forces now lifting the dollar price of sterling would be reversed, permitting Britain to resume depreciation of the pound.

Should this happen, it would tend to exert a deflationary influence on basic commodities and would thus aggravate such domestic deflationary tendencies as may flow out of the abandonment of N R A and out of the present doubts concerning A A A.

It need hardly be said that bullish alternatives are by no means lacking. Revaluation of the French franc almost certainly would bring international stabilization, at least on a *de facto* basis, somewhat nearer, especially since sentiment both in this country and in Great Britain against a further competitive race in currency depreciation has distinctly waned.

In the final resort, should early discouragement assume proportions regarded as important by the Administration, it would be feasible and logical for it to attempt to stem deflationary tendencies with another inflationary shot. It would not surprise us if this took the convenient form of an aggressive resumption of the mandatory silver program laid down by Congress and recently interrupted to permit coinage adjustments in some countries, notably Mexico. That it would take any other form is greatly to be doubted.

Meanwhile, the business records of the latest week possess scant market significances since they do not reflect the current effects of the N R A decision.

Happening in Washington

By E. K. T.

Business, as seen from Washington, is in the same whirlpool as the President and Congress resulting from the Supreme Court's virtual abolition of N R A if not the whole New Deal—outside of magnificent spending. The entire business outlook for the immediate future is confused. Despite protestations from industrial and commercial associations and great corporations that the principles of fair competition will continue to be followed, the conviction prevails here that commodity prices are due for downward revision and that working conditions relating to wages and hours will gradually if not immediately give way to the irresistible pressure of competition and rivalry. A deluge of strikes is predicted.

The composite result is expected to be a vacillating slowing up of business and a new period of doubtful waiting on the part of capital until the compass needle of legislative and business readjustment makes it possible to chart new courses.

Wide World Photo

JOSEPH HELLER,
Counsel for the Schechters who won the N R A test case

President and the Administration generally were confounded by the decision. So sure were they that the Government would win the Schechter case that absolutely no preparatory thought had been given to a program for dealing with an adverse decision. This despite the fact that impartial observers had predicted that the chances were all in favor of defeat for N R A. "Delusions of grandeur." The warning of the gold clause decision was utterly ignored. In that decision, it will be recalled that while the Government was sustained legalistically the Court was unanimous in holding that in principle the abrogation of the gold clause as it affected the obligations of the Government was repudiated—but nothing could be done about it. Forgotten also was the decision in the oil cases wherein the Court certainly sounded an ominous note of warning regarding the delegation by Congress of its Constitutional power as the sole maker of Federal law.

As this is written a week has elapsed since the stunning decision and nobody in the White House or in the Capitol has evolved an acceptable plan or even decided to do nothing and take the decision on the chin.

More conservative of President's advisors have intimated to him that, politically considered, the decision may be a disguised blessing. They admit that as a remedy for unemployment N R A has been a complete flop since October, 1933, and that its record as a business accelerator (as distinguished from stabilizer) has not been any more creditable. Supreme Court's decree now provides an excellent escape from impending general repudiation of the scheme as a business barrier and provides a grand alibi for claiming the early glory for F. D. R. and for putting the blame for the later failure on the Court.

Administration can pose as having done all that could be done against an archaic constitution and an old-fashioned Court which clings to the funny view that progress had really retired the Court as an arbiter of the constitutionality of the acts of Congress or the executive orders of the President. If recovery proceeds—as it undoubtedly will after a hesitant pause—Administration credit can be claimed for giving it a good start with N R A and its ilk and carrying the momentum on through the work relief drive.

A thousand business huddles in Washington in the past few days have developed the remarkable extent to which the projection of governmentally-sponsored bureaucracy has penetrated business. While it is beyond question that the rank-and-file of the business world is delighted with the N R A decision, the code authorities which are separate from business associations and many of the administrators of codes under associations are disposed to raise the sunken ship or build a new one. It is further revealed that there is a considerable section of business which profoundly regrets the passing of N R A, for purely practical reasons. The soft coal people, for example.

Big Business, as a whole, being inherently dominated by monopolistic aspirations, saw in N R A escape from the anti-trust laws. Now, after 60 days of grace, as permitted by Section 5, of Title I of the Industrial Recovery Act, the anti-trust laws will be in full effect and it will be the duty of the Department of Justice and the Federal Trade Commission to take the warpath unless Congress acts to the contrary.

Prevailing view, however, is that code authorities with a big stick are sunk forever, whatever remedial legislation may be adopted. All the code authorities in Washington are beginning to wind up their affairs—some with no little trepidation about their unpaid bills. They can no longer collect dues under the sanction of law; all they can do is to urge their members to have a heart and come through on a purely voluntary basis. Authorities which have funds on hand have been given an awful scare by the temporary restraining order enjoining the New York regional agency of the Brewery Code from disbursing any funds.

Thousands of code officers and employees here and throughout the country have already joined the ranks of the unemployed and, like the employees of N R A are looking for new jobs.

Congress is, or was for a week, in complete bewilderment regarding pending legislation. The "Great Decision" collaterally affects fifteen executive agencies besides N R A proper, set up under the Recovery Act. Besides, much of pending New Deal legislation is in a dubious position. The Utilities Bill, the proposed amendments (perhaps the A A A itself) the Wagner Labor Disputes Bill, the Social Security Measure, the 30-Hour Law, the T V A and others are now under suspicion of unconstitutionality.

Securities Act and Stock Exchange Act, the President himself says, are open to question.

Press Conference with the President last Friday was the most amazing and also the most prophetic of the regime. Supreme Court was courteously held up as a mossback institution—a relic of the horse-and-buggy age. Delegated powers denial does not bother the President so much as limitation of Congress control over interstate commerce affected by intrastate factors. That conference and further Presidential comment and interpretation pave the way for an informal referendum.

Prediction: (1) Congress will be asked to rewrite the Recovery Act in conformity with the Court's decision, but whether by meticulous statement in the law of what N R A has actually done by executive order law or simply to the extent of authorizing codes not only voluntary as to groups, but also as to the members of groups, remains to be seen.

(2) Amendments to the Constitution will be the big issue in 1936. Possibly, the President will ultimately propose the issue in the form of a program for a constitutional convention to rewrite the whole instrument. Never has there been a constitutional convention since that document was written. It is significant that the constitutional convention idea was advocated by a high officer of the Government in a confidential talk with me immediately after he had conferred with the President.

Imagine a great national plebiscite in 1936 on the issue of a complete recasting of the Constitution to meet the requirements of a federal government plunged into an age when everything is affected with a national interest! That would be a political battle royal!

Bonus legislation, I think, is dead. Carried down by the fiat money sinker it has been buried by the disrupting tidal wave of the Great Decision.

Drug and Food Bill has good prospect of passing. . . . So many "musts" of legislation are now hung up that secondary measures will have White House support, active or tacit.

Best advice is that there will be no extraordinary tax legislation at this session. All expiring tax laws will be renewed, with some minor changes and additions.

Washington Sees—

Supreme Court N R A decision making the issue for the 1936 campaign.

Constitutional convention to modernize the constitution may be the form of the issue.

President Roosevelt surpassing Alexander Hamilton as most ardent Federalist.

Business and politics stunned, but former to rally soon and latter to buzz furiously.

Codes with big sticks gone forever—unarmed codes a joke.

Antitrust laws rising from the grave.

Plenty of strikes but no general strike.

Almost all pending "must" legislation obscured.

Realistic turn of Administration to right despite Supreme Court's blow at its leftist policies.

Credit inflation inevitable.

When will Congress adjourn? I've always said the lawmakers would go home before the end of June, but a new situation is now presented. Two courses are discussed: (1) Forget N R A and jam through before July 1 all okayed legislation that is on the way, without regard to remote Constitutional inferences; (2) Remain in perspiration and perplexity and laboriously recast and debate all "must" bills to meet the Constitutional situation. "Congress dare not—the Administration dare not—go back with a report of six months in session without any fundamental reform legislation."

Curious situation arises—paradoxical: Judicial rebuff to leftist laws and measures favored by the President may compel a realistic turn to the right. If artificial recovery and reform plans are scrapped nothing should be left undone to give business a free opportunity for recovery. "Election year must find the country well advanced toward full prosperity." . . . An expedient turn to the right to be sure of leftist votes—most such votes being motivated by scarcity of cash rather than by the abundance of brains.

Labor Relations Bill is certain to pass. Not necessarily in its present form, but the dousing of N R A has left the National Labor Relations Board without anything it can do in the face of the prospect that there will be plenty to do. Bill must be re-written to dodge Constitutional gauntlet.

Work-relief administration under the pressure of practice, will become more and more of a straight public works measure, with increasing wage scales tending to reduce the possible number of employees and curtailing funds for purchase of materials and equipment. This will take the suction out of the priming pump to a large extent.

Guffey Bill making the coal business a public utility is looking up. May be rushed through. Big strike inevitable.

Railroad legislation will be confined to continuation of the co-ordination and the regulation of trucks.

French gold crisis and general unsettlement in Europe will continue to pump foreign funds into the United States: a favorable securities market sign. Stabilization by international agreement comes nearer and nearer.

Credit inflation is as certain as recovery. Reflation that will not run into inflation can not be envisaged. Fiat money is out unless business should have another experience with the deep end.

Washington will seethe with sensations for the remaining days of Congress. Interpret all general tendencies and forecasts in the light of the day-to-day news. Remember that anything can happen, but don't forget that the brakes have been applied.

¶ *Tremendous Potentialities for Credit Expansion Are Becoming Active as Prospect of Currency Inflation Fades*

¶ *Significant Changes in Federal Policy Affect Future Purchasing Power of the Dollar*

Inflation Takes Hold

By John D. C. Weldon

FOR some time it has been evident that the Administration is leaning strongly toward a theoretically controllable credit inflation as opposed to further tinkering with the currency and its metallic base, yet all the time the President's permissive authority, under the Thomas Amendment, to issue $3,000,000,000 of greenbacks and further to devalue the dollar within the maximum limit of 50 per cent of its former gold parity has hung like a dark cloud over the head of American business.

The significance of the President's personally delivered veto of the Patman Bonus Bill, together with the preceding recent monetary speech of the Secretary of the Treasury, is that there can clearly be read into these utterances the first official commitment to reduce monetary uncertainty to the minimum that is possible within a nation whose budget is still far out of balance and within a world of still fluctuating currencies.

Money Tinkering Ends

Under the circumstances, it is difficult to see how any more specific pledge of monetary orthodoxy could be given. Although none can proclaim with dogmatic certainty that the dollar will stand pat at its present gold parity, plainly we have come a long way from the days of arbitrary depreciation, of bidding up the price of gold, of commodity dollar theories, etc.

It is a change of vital significance for the simple reason that deliberate currency manipulation and credit inflation are hopeless incompatibles. The fear engendered by the one tends to stymie the other. There is little doubt that the Government's cheap money and credit inflation policy, now beginning to "take hold" in the field of private credit, would have taken hold earlier and more effectively if the fears of the basic integrity of the dollar provoked early in 1933 had been more promptly and specifically alleviated.

Credit Inflation Begins

But that is water over the dam. The economic and financial adjustments gradually at work since the recovery turn came in March, 1933, have persistently built up a setting more and more propitious for an effective, although dangerous, credit expansion. The swollen potential in the credit reservoir, indeed, has already begun to trickle over the various dams erected by currency fears, sobering social reforms, etc.

Lower any one of these important dams and without doubt the flow will increase. The Treasury's indication that the Administration would regard international stabilization of currencies at the earliest practical time as a desirable thing tends to lower one of the dams. It is lowered further by the President's strong denunciation of any issuance of greenbacks, by his recognition that recovery hinges chiefly on the revival of the heavy industries via the road of private credit expansion, by his warning that obligations incurred for emergency purposes must ultimately be met out of the production of wealth by the labor of human beings and by his curt dismissal of the theory that the mere spending of public money is the most effective means of hastening recovery.

Regardless of the primary reality that industry and capital can not have full assurance until our budget is balanced and international stabilization is accomplished, the stand now taken by the President offers far more assurance to business than any preceding official declaration since his inaugural address in March, 1933.

Business Stimulant

To this extent it can hardly fail, in our view, to quicken the pace of the upward credit spiral now in progress. Conceivably it might touch off a spurt which before long would turn responsible national thought to the working order of the brakes and away from the question of what's the matter with the accelerator—though one would have to be naive, indeed, to assume that there is likely to be any political inclination to apply the brakes when prosperity, despite our gains, still remains decidedly around the familiar corner and when a crucial national election looms on the horizon eighteen months hence.

More and More Credit

Indeed, all present forces are pushing down harder and harder on the accelerator—the force of heavy Federal spending and borrowing, of mounting bank deposits and surplus reserves, of record-breaking low interest rates, of a huge accumulation of capital seeking employment almost frantically as the wages of money—especially in fixed obligations—tend steadily to shrink; the force of accumulated obsolescence in factories, machines and dwellings; and, finally, the great potential force of the pending momentous banking bill, certain of passage.

The latter measure will perpetuate and somewhat extend the present Federal control of the general direction of the credit flow and will materially loosen Federal Reserve rediscount requirements, notably in the proposal to open up

twenty-year mortgage lending to the banks. It will unquestionably tend to promote credit expansion, which, indeed, is its present chief purpose, although it does provide theoretically more effective brakes for ultimate possible contraction.

All of which means what to business and to the individual?

To business, in our view, it can only mean a forward march on the recovery road, though that road continue, as it will, to have twists and turns and though the journey be interrupted from time to time, as at present, in temporary correction of productive activity which has overrun the more gradual advance in public purchasing power.

It is worth noting, however, that consumer purchasing of itself is not the major key to revival, for it is already at a satisfactory level, as indicated by retail trade and sales of automobiles, household equipment, etc. Its further recovery depends largely upon revival in production and reemployment and this, in turn, aside from construction, depends primarily upon the purchase of capital goods and equipment by business itself.

Forward Buying by Industries

The credit factors now at work will tend strongly to support expansion in such business buying, which in recent months has shown convincing signs of an upturn.

Bearing upon this point it is of interest to note that the convention of corporate purchasing officers, assembled in New York City as this is written, reflects a consensus that forward buying by business is now in order on a more confident basis than at any time since early 1933.

The effect of such demand can be seen in firming price tendencies of various commodities. To cite but a single example, lead has advanced by $10 a ton in the last fortnight and by 20 per cent since last November. This is not based on speculative buying on inflation prospects or such artificial factors as production control schemes or N R A, but upon the orthodox improvement in supply and demand resulting from increased use of the metal by the motor and paint industries.

This is cited as a typical example of how the processes of recovery, aided by the credit medicine, tend of themselves to effect improvement in the statistical position of commodities and to lift their prices. Such price advances are the kind business has always regarded as "healthy". Unlike the spurt occasioned by monetary developments and anticipation of N R A in 1933, they not only do not create fear and doubt, but, on the contrary, inspire confidence.

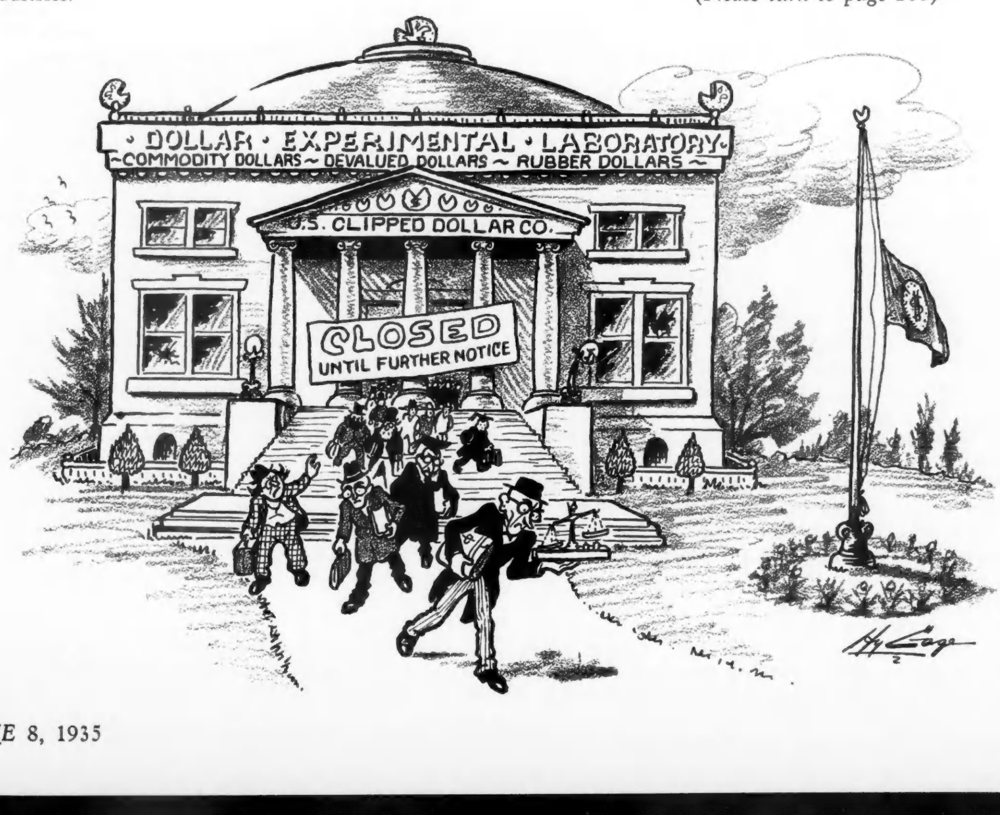
Rising Prices

In the present setting, we believe the underlying price trend will be upward in this fashion, subject to the possible restraining influence of the elimination or curtailment of price-fixing under N R A and subject certainly to the restraining factor inherent in our vast and efficient production facilities, which have a way of leaping promptly into expanded action when price looks attractive and which tend, therefore, to keep price in reasonable line with effective demand. In short, it is to be doubted that any semblance of a run-away price movement is in the picture or that, should it appear to start, it could last long without corrective interruption.

As for the individual, assuming that the next year or two will see a start toward budget balancing and the complete banishment of the specter of possible currency inflation, a credit-inflation price rise very likely will be generally accepted as a normal and not particularly onerous accompaniment of "better times". The initial stages of inflation are always pleasant in that business is active and an enduring prosperity seems to be developing. Unfortunately the ultimate reckoning is not discernible.

Rapidly rising prices may not accompany an acceleration of the business pace at once. When one compares the present commodity supply and demand position with that created by the war, nothing remotely like the commodity price inflation of 1919 and 1920—which led to a veritable buyer's strike and an ensuing collapse—appears to be in the cards. It would appear more logical to assume that the price level on the average should tend gradually to work back toward

(Please turn to page 208)



Safeguard Your Capital—Preserve Income Purchasing Power

Advantages and Disadvantages of Various Types of Securities in the Average Investor's Program

By J. S. Williams

Refunding of Government obligations at lower interest rates, the increasing number of industrial bonds called or to be called, and the inflationary prospect combine to make the problem of reinvestment a most difficult one. In this connection the accompanying article discussing various phases of the subject, pointing out hazards and making suggestions should be found unusually helpful.

THOUSANDS of individuals over the past few months have awakened one morning to find that some investment on which they had counted for a stable income was to be redeemed. There have been billions of dollars in government and corporate securities involved in these redemptions. In many instances, of course, a holder was offered an exchange—but always at a lower rate of interest. The first and natural reaction to such an exchange offer was to refuse it: "why, having had forty-five or fifty dollars a year from some bond, should I accept now twenty-five or thirty" was the attitude. A little investigation, however, revealed that defiance was futile, for the unfortunate investor had but two alternatives, both losing ones—either to accept the lower return offered, or take the redemption money and with it purchase something of inferior investment quality.

The income from those investment portfolios, which for some reason or another must be kept high grade, is being gradually whittled away; the matter has become serious. In many cases it is not so much an unwillingness to accept a lower return, but that the acceptance of less entails an actual lowering of the standard of living previously maintained, perhaps even actual hardship. What is the investor to do about it? Well, frankly, he can do nothing about the redemptions already ordered; he can, however, arrest the process at this point, so that the damage will not be continuing.

The first thing to be done by the man who has, or is about to have, idle money is to make a careful survey of his investments as a whole from the point of view of safety. He will take into consideration not only the safety of dollar principal as is necessary to his own particular needs, but will remember also in these inflationary times that safety of purchasing power is an even more important factor. As things stand at the moment, it would be illogical for even a widow or an orphan to hold nothing else but United States Government bonds and, because there is no doubt as to the safety of dollar principal, think that all was well. Suppose that the cost of living over the next few years doubles or triples—as is by no means unlikely—then what? Because one still has the same dollar principal and the same dollar income, is it sensible to say that nothing has been lost, though one can buy but a third of the necessities and luxuries of life that could be purchased previously?

Thus, in order to circumvent such a situation, there will be a logical tendency nowadays, not to reinvest the money received from called bonds in other bonds, but to buy common stocks with it. Not, of course, that common stocks *guarantee* an investor protection against a rising price level, but rather that they have possibilities of affording a degree of protection—something quite different and a point that is not sufficiently recognized. What type of stock shall one select? Here again, no man can possibly know for certain which will turn out the best sailers in the uncharted sea upon which we may embark. Today, however, a reasonable case can be made for avoiding railroads, public utilities and all industries and individual companies, the price of whose product or service is likely to lag behind rising costs. Accompanying this discussion will be found a list of common stocks, from which it seems today that selections could be made with a fair chance of protecting purchasing power.

Because we are considering investment in the strict sense of the word, considerable attention must be given to the return afforded by the stocks. To persons dependent upon a small income from securities, this will be an important point, perhaps the most important so far as the selection of one stock rather than another is concerned. Undoubtedly, many such people will be disappointed to find that the common stocks, which they have been brought up to think risky relative to bonds, in few instances afford them compensation in the way of a larger return. Indeed, many of the highest grade stocks may actually yield less than the redeemed bonds which they are under consideration to replace.

Nevertheless, for those whose money is mostly, or mainly, in bonds, so long as it is possible to live at all on the reduced income, this should be no barrier to stock pur-

chases. Remember, that while the yield afforded by a bond is usually a very fair guide to its quality, the return afforded by a common stock has nothing whatever to do with whether it will, or will not, afford protection against a rising price level. In other words, a man who has been receiving 5 per cent from his bonds, in the present setting should not approach the purchase of stocks with the idea of obtaining 5 per cent, for it might well be that some stock yielding but 2 per cent currently, will prove a year from now to have been much the better medium of protection. He should select his stocks with his fundamental objective always before him and pay as little attention to current return as his individual circumstances may allow him. Not many are in a position to ignore return completely, as is evidenced by the manner in which sound, dividend-paying stocks have resisted all stock market declines of the past year or so, but it can at least be relegated to its secondary place.

So far, we have dealt solely with those whose investments are over-concentrated in bonds. What of those who have already acquired a nicely balanced position between bonds, stocks and other equities; what are they to do about the called-bond problem? They cannot put the money into stocks, for this would unbalance their carefully proportioned investment holdings. They must therefore go back into bonds or other fixed-income bearing securities, such as preferred stocks. Unfortunately, at this point they encounter trouble.

As has been said, an investor whose bonds have been called, is given a clear-cut choice between accepting—whether by direct exchange, or through reinvestment in the open market—a smaller return, or a security of lower quality bearing the same rate of return.

Generally speaking, most investors would be well advised to accept the first of these disagreeable alternatives—the lower return. Yet, if this be done once, precautions should be taken against its happening again. This is quite easy, for it merely means the purchase of some bond or preferred stock that is noncallable. Or, for practical purposes the same result may be obtained by buying a bond with a very low coupon rate. There are a few corporate bonds bearing a coupon rate of 3 or 3½ per cent and it is very much to be doubted whether these can ever be refunded with a saving in interest charges for the issuing corporation. The same thing would apply to government obligations whose coupon rate is 2¾ per cent, or lower.

The second alternative—concession as to quality—is potentially dangerous. It might be done once or twice perhaps without disaster, but whether it can be done logically will depend upon the original safety survey about which we spoke in the fore part of this discussion. If the final conclusion from this survey is that past investment practice, in relation to the individual's particular requirements, has erred on the side of ultra-conservativism, then there would seem no valid objection why reasonable concessions as to quality should not be made; it would merely be a correction of past policy, rather than a new departure.

On the other hand, it is quite possible for a bond to be called, for the money to be placed in some issue of slightly lower quality, for this in turn to be called and for the money to be placed in an issue of still lower quality. Obviously, if the investor permits this to happen to him over a period of years he will end up possessing investments far below any reasonable standard of quality. He must, therefore, settle the question once and for all, make perhaps his one and only concession as to quality right now and swing into something which cannot be forcibly taken away from him in the future. Tables of non-callable bonds and preferred stocks are presented in conjunction with this article.

We have prepared also a list of important bonds and preferred stocks which are selling close to, or above, the call price. The value of the tables is as a warning of what may well happen in the near future—redemption. Not all these, of course, will be called, but many will be if the money market remains as it is at the moment. Thus, it might be advantageous to take the bull by the horns right now, sell those which are most likely to be paid off, and accept the problem of reinvesting the money today instead of the more acute problem of tomorrow. If this is done, a substantial premium over and above the call price will be obtained in many instances; as redemption becomes more imminent most of this will be lost and then, when the call finally goes out, practically all of it will disappear.

Whether the investor's difficulty becomes very much more acute than it is at the moment will depend, naturally, on the course of the bond market. Even if there be no substantial break, it will be bad enough, for any small recession would still leave many bonds above their call price and therefore at a level where they could be refunded by the issuer to advantage: it is only because of the difficulty and expense of registration, and fear on the part of corporate officials of what might happen to them under the two security acts that refundings are not going ahead even faster than they are. We incline, however, to the view that bond prices will work higher. There

Common Stocks

(A list believed suitable for longer term holding under present conditions—*but diversify*)

Name	Approx. Market Price	Div.	Yield
Air Reduction	129	$3.00*	2.3
Allied Chemical & Dye	144	6.00	4.2
Amerada	64	2.00	3.1
American Sugar Refining	57	2.00	3.5
Archer-Daniels-Midland	39	1.00*	2.6
Atlas Powder	37	2.00	5.4
Beech-Nut Packing	85	3.00*	3.6
Cerro de Pasco	56	2.00	3.6
Columbia Pictures	55	1.00*	1.8
Commercial Solvents	19	.60*	3.2
Continental Can	74	2.40	3.2
Corn Products Refining	69	3.00	4.3
Dow Chemical	95	2.00	2.1
Du Pont de Nemours	97	2.60*	2.7
Eastman Kodak	140	5.00*	3.6
General Electric	25	.60	2.4
General Mills	64	3.00	4.7
Harbison-Walker	20	1.00	5.0
Hazel-Atlas Glass	100	5.00	5.0
Hercules Powder	79	3.00*	3.8
Humble Oil & Refining	57	1.00	1.8
Ingersoll-Rand	86	2.00	2.3
Inland Steel	60	1.00	1.7
International Business Mach	170	6.00*	3.5
International Cement	28	1.00	3.6
International Nickel	28	.60	2.1
Kellogg (Spencer)	34	1.60	4.7
Liggett & Myers	111	5.00†	4.5
Mathieson Alkali	29	1.50	5.2
Mesta Machine	29	1.50	5.2
Monsanto Chemical	72	1.00*	1.4
National Lead	170	5.00	2.9
New Jersey Zinc	59	2.00	3.4
Penick & Ford	74	3.00*	4.1
Pratt & Lambert	25	1.00	4.0
Procter & Gamble	49	1.50	3.1
Reynolds Metals	21	1.00	4.8
Seaboard Oil of Delaware	29	.60*	2.1
Sherwin-Williams	96	3.00	3.1
Standard Oil of California	33	1.00	3.0
Standard Oil of New Jersey	46	1.00*	2.2
Timken Roller Bearing	33	1.00*	3.0
Union Carbide	55	1.60	2.9
United Fruit	85	3.00	3.5
U. S. Gypsum	52	1.00*	1.9

* Plus recent extra. † Including extra.

Non-Callable Preferred Stocks

Name	Div.	Approx. Market Price	Yield %
American Bank Note	$3	60	5.0
American Smelting & Refining 1st	7	137	5.1
American Snuff	6	134 Bid	4.5
American Sugar Refining	7	136	5.1
American Tobacco	6	140	4.3
Celanese Prior Pref	7	104	6.7
Cleveland, Cin., Chicago & St. Louis	5	80 Bid	6.3
Corn Products Refining	7	164	4.3
Diamond Match	1½	39	3.8
Eastman Kodak	6	154	3.9
General Baking	8	128	6.3
General Cigar	7	140	5.0
General Railway Signal	6	95 Bid	6.3
Great Western Sugar	7	136	5.1
Harbison Walker	6	109 Bid	5.6
Helme (George W.)	7	160 Bid	4.4
Hershey Chocolate $4 (Part)	5†	109	4.6
Ingersoll-Rand	6	125 Bid	4.8
International Harvester	7	148	4.7
International Nickel	7	125	5.6
Island Creek Coal	6	117 Bid	5.2
Liggett & Myers	7	162	4.3
Lorillard (P.)	7	132	5.3
National Biscuit	7	142 Bid	4.9
National Lead "A"	7	158	4.4
National Lead "B"	6	136	4.4
N. Y. & Harlem	5	...	...
Norfolk & Western	4	106	3.8
Pacific Tel. & Tel.	6	126	4.8
Philadelphia Co. 6%	3	36	8.3
Pittsburgh, Ft. Wayne & Chicago	7	175 Bid	4.0
Public Service Corp. of N. J. 6%	6	99	6.1
do 7%	7	110	6.4
do 8%	8	125	6.4
do $5	5	87	5.8
Quaker Oats	6	145	4.1
South Porto Rico Sugar	8	148	5.4
Union Pacific	4	86	4.7
U. S. Gypsum	7	153	4.6
U. S. Smelting & Refining	3½	70	5.0
U. S. Tobacco	7	156 Bid	4.4
Universal Leaf Tobacco	8	145	5.5
Westinghouse Electric & Mfg. (Part)	3½	103	3.4

†Including extra.

Non-Callable Bonds

Railroads

Name	Maturity	Approx. Market Price	Yield to Maturity
New York, Chicago & St. Louis 1st 4s	10.1.37	101	3.6
Chesapeake & Ohio 1st 5s	5.1.39	113	1.7
Wabash R. R. 1st 5s	5.1.39	93	7.0
Lehigh Valley Ry. (N. Y.) 1st 4½s	7.1.40	84	8.5
Louisville & Nashville Unif. 4s	7.1.40	107	2.5
St. Paul, Min. & Manitoba Pac. Ext. 1st 4s	7.1.40	102	3.6
Lehigh Valley Term. Ry. 1st 5s	4.1.41	107	3.7
Elgin, Joliet & Eastern 1st 5s	5.1.41	107	3.7
Allegheny Valley Ry. Gen. (Now 1st) 4s	1942	107	2.9
San Antonio & Aransas Pass 1st 4s	1943	82	7.0
Washington Terminal 1st 3½s	1945	105	2.9
New England R. R. Cons. 4s	1945	...	...
Oregon R. R. & Navigation Cons. 4s	1946	109	3.0
Oregon Short Line Cons. 5s	1946	116	3.3
Union Pacific 1st R. R. & L. G. 4s	1947	112	2.8
Pennsylvania R. R. Cons. 4s	1948	112	2.9
Long Island R. R. Ref. 4s	1949	103	3.7
Central Pacific Ry. 1st & Ref. 4s	1949	102	3.8
Chicago & Alton R. R. Ref. 3s	1949	43	11.1
Kansas City Southern 1st 3s	1950	75	5.5
Great Northern Ry. Gen. "B" 5½s	1952	91	6.4
Michigan Central R. R. 1st 3½s	1952	104	3.2
Atlantic Coast Line Cons. 4s	1952	97	4.2
Western Maryland R. R. 1st 4s	1952	94	4.5
Chicago, Burlington & Quincy Gen. 4s	1958	107	3.6
Pennsylvania R. R. Gen. "A" 4½s	1965	107	4.1
Pennsylvania R. R. Gen. "D" 4¼s	1981	104	4.1
Missouri, Kansas & Texas Ry. 1st 4s	1990	70	5.8
Chesapeake & Ohio Ry. Gen. 4½s	1992	118	3.7

Public Utilities

Name	Maturity	Approx. Market Price	Yield to Maturity
Laclede Gas Light Ref. & Ext. 5s	4.1.39	100	5.0
Pennsylvania Water & Power 1st 5s	1.1.40	113	2.0
Pacific Gas & Electric 1st "B" 6s	12.1.41	118	2.3
Brooklyn Union Gas Cons. 5s	1945	119	2.8
Peoples Gas, Light & Coke Ref. 5s	1947	105	4.5
New Amsterdam Gas 1st 5s	1948	109	4.1
N. Y. Gas, El. Lt. Heat & Pwr. 1st 5s	1948	122	2.9
do P. M. 4s	1949	113	2.8
United Electric of New Jersey 1st 4s	1949	114	2.7
Hudson County Gas 1st 5s	1949	117	3.5
Brooklyn Union El. R. R. 1st 5s	1950	108	4.3
Western Union Telegraph Fund. 4½s	1950	89	5.6
San Joaquin Lt. & Pwr. Unif. 6s	1952	118	4.5
Public Service Corp. of New Jersey 6s	Perpetual	130	4.6

Industrials

Name	Maturity	Approx. Market Price	Yield to Maturity
Atlantic Refining Deb. 5s	7.1.37	108	1.1
Chic. Junc. Rys. & Union Stk. Yds. Ref. 5s	4.1.40	110	2.9
Union Oil of California 6s	1942	119	3.0
Liggett & Myers 7s	1944	132	2.9
Lorillard Deb. 7s	1944	130	3.1
Liggett & Myers Deb. 5s	1951	120	3.4
Lorillard Deb. 5s	1951	116	3.7
Bethlehem Steel P. M. 6s	1998	134	4.4

will be little interruptions, of course, as inflationary sentiment rises from time to time. But so far as the effects of the actual inflation itself is concerned, the present setting is one in which the rise in prices could make great progress before bringing about a material decline in the bond market. Hence, it is our considered opinion that the quest for bonds for investment or reinvestment purposes, instead of growing easier, indeed will grow more acute in days to come.

To the individual investor this means an intensification of the present difficulties. It will mean that he will have more and more of his bonds called, that he will be offered in exchange securities that will yield him even lower rates of return than those that are being offered now, and finally, if he wishes to retain anything approaching what he has been brought up to consider a fair yield, that he will be forced to make concessions as to quality that will be positively hazardous for him. If this forecast is accepted as a reasonable probability, it is essential that quick action be taken; every week of idleness will likely mean a loss of some kind in the future.

Just one more point: many who read this undoubtedly will ask why one should trouble with bonds if, as implied, a marked rise in the cost of living is more or less imminent; or conversely, if the rise in the cost of living is not imminent, why should one who has always placed his money in good bonds bother with stocks? This is a valid question and deserves a frank answer. In reply, one can only admit that, like all compromises, the course suggested has its weakness. The inflationary rise in the cost of living *may* not occur, it *may* be much more distant than most of us imagine today. Until it does occur and on a very much more vigorous scale than anything seen so far, bonds will continue to afford a safe monetary return which possesses a satisfactory purchasing power. On the other hand, a reasonably safe monetary return may be obtained from stocks and what is lost in the safety of the return is well lost for even imperfect protection against such a rise in prices as certainly is in the cards. A gambler will plump wholeheartedly for one type of security or the other, but the average conservative will choose the safety that is to be found only in combination.

Leading Preferred Stocks Selling Close to, or Above, Call Price

Name	Div. $	Call Price	Approx. Market Price
Abraham & Straus	$7	110	112
Allied Chemical & Dye	7	120	125
American Brake Shoe & Foundry	7	125	121
Anchor Cap	6½	110	105
Archer-Daniels-Midland	7	115	120
Atlas Powder	6	110	111
Bangor & Aroostook	7	110	114
Bayuk Cigars	7	110	114
Bloomingdale Bros	7	110	111
Brown Shoe	7	120	124 Bid
Coca-Cola "A"	3	52½	55
Colgate-Palmolive-Peet	6	102½	105
Commercial Investment Trust	6	110	113
Consolidated Oil	8	110	111
Crown Cork & Seal	2.70	45	45
Devoe & Raynolds	7	115	117
Du Pont de Nemours Deb	6	125	128
Duquesne Light 1st	5	110	111
Electric Auto Lite	7	110	111
Endicott Johnson	7	125	128
Filene's (Wm.) Sons	6½	110	111
First National Stores 1st	7	110	113
General Mills	6	115	117
General Printing Ink	6	105	106
Glidden Co. (Prior)	7	105	108
Gold Dust	$6	115	117
Great Atlantic & Pacific Tea	7	115	127
Hercules Powder	7	120	127
Johns-Manville	7	120	123
Kansas City Power & Lt. 1st	6	115	118
Kresge (S. S.)	7	100	108
Loews, Inc	6½	105	106
Loose-Wiles 1st	7	120	127
Minneapolis-Honneywell	6	105	108
National Dairy Products "A"	7	105	108
New York Telephone	6½	110	118
Newberry (J. J.)	7	110	112
Penney (J. C.)	6	103	108
Procter & Gamble	5	115	120
Radio Corp. "A"	3½	55	53
Safeway 6%	6	110	111
do 7%	7	110	113
Standard Brands "A"	7	120	123
Standard Oil Export	5	110	114
Sun Oil	6	115	118
Tide Water Oil	5	105	105
Underwood-Elliott-Fisher	7	125	130
United Biscuit	7	110	114
Walgreen	6½	115	117
West Penn Power	7	115	117
West Penn Power	6	110	110

Leading Bonds Selling Close to, or Above, Call Price

Public Utilities

Name	Present Call Price	Approx. Market Price
American Telephone & Telegraph Coll. Tr. 5s, 1946	105	108
do Deb. 5½s, 1943	110	112
do Deb. 5s of 1960 and 5s of 1965	110	112
Appalachian Electric Power Ref. 5s, 1956	104	106
Brooklyn Edison Gen. "A" 5s of 1949 and "E" 5s, of 1952	105	108
Brooklyn-Manhattan Transit Sec. "A" 6s, 1968	105	107
Brooklyn Union Gas Deb. 5s, 1950	103½	105
Cincinnati Gas & Elect. 1st "A" 4s, 1968	100	104
Cleveland Electric Illuminating 1st 5s, 1939	101½	103
Commonwealth Edison 1st "F" 4s, 1981	105	104
Consolidated Gas of New York Deb. 4½s, 1951	106	106
do Deb. 5½s, 1945	103½	105
do Deb. 5s, 1957	103	105
Consumers Power 1st & Unif. 4½s, 1958	105	108
Detroit Edison Gen. & Ref. 5s, 1949	105	107
do Gen. & Ref. 5s, 1952, 55, and 62	107½	108
Duke Power 1st & Ref. 4½s, 1967	104½	107
Duquesne Light 1st "A" 4½s, 1967	104	106
Illinois Bell Telephone 1st & Ref. "A" 5s, 1956	105	108
Kansas City Power & Light 1st 4½s, 1961	110	112
Louisville Gas & Electric 1st & Ref. "A" 5s, 1952	110	111
Montana Power 1st & Ref. 5s, 1943	105	105
New York Edison 1st & Ref. "B" 5s of 1944, and "C" 5s of 1951	104	106
New York Power & Light 1st 4½s, 1967	105	104
New York Telephone 1st & Gen. 4½s, 1939	110	111
Northern States Power 1st & Ref. 5s, 1941	105	106
Ohio Edison 1st & Cons. 5s, 1960	105	106
Ohio Power 1st & Ref. "D" 4½s, 1956	102½	105
Oklahoma Gas & Electric 1st 5s, 1950	103	104
Pacific Gas & Electric Gen. & Ref. 5s, 1942	105	107
do 1st & Ref. "D" "E" & "F" series	105	107
Pacific Tel. & Tel. Ref. "A" 5s, 1952	107½	110
Pennsylvania Power & Light 1st 4½s, 1981	105	105
Philadelphia Electric Co. 1st 5s, 1966	†	112
do 1st & Ref. 4½s, 1967	104½	108
do 1st & Ref. 4s, 1971	102½	106
Philadelphia Electric Power 1st 5½s, 1972	106	110
Public Service Elec. & Gas 1st & Ref. 4½s of 1967 and 1970	104½	107
do 1st & Ref. 4s, 1971	102½	106
Safe Harbor Water Power 1st S. F. 4½s, 1997	105	107
Southern Bell Telephone 1st 5s, 1941	105	108
Southwestern Bell Telephone 1st & Ref. "A" 5s, '54	105	108
Union Elec. Lt. & Power Gen. "B" 5s, 1967	104½	106
do Gen. 5s, 1957	104¼	106
West Penn Power 5s of '46, 5s of '55, and 4s of '61	105	....

† At 105 for sinking fund; otherwise at 110.

Railroads

Name	Present Call Price	Approx. Market Price
Atchison, Topeka & St. Fe Cal.-Ariz. 4½s, 1962	110	110
do Trans-Cont. Sh. Line 4s, 1958	110	109
Carolina, Clinch. & Ohio 1st 5s, 1938	110	109
Chesapeake Corp. Conv. Coll. 5s, 1947	100	104
do Conv. 5s, 1944	105	105
Chesapeake & Ohio Ref. "A" 4½s, 1993	110	110
do Ref. "B" 4½s, 1995	110	110
Chic., Burl. & Quincy Ill. Div. 3½s, 1949	105	103
do 4s, 1949	105	109
Chicago Union Station 1st "A" 4½s, 1963	105	108
do 1st "B" 5s, 1963	105	108
Cincinnati Union Terminal 1st "A" 4½s, 2020	107½	109
Kansas City Terminal 1st 4s, 1960	105	107
N. Y. Connecting R. R. 1st "A" 4½s, 1953	105	108
Norfolk & Western Poco. C. & C. P. M. 4s, 1941	105	107
Oregon-Wash. R. R. & Navig. 1st "A" & "B" 4s, '61	105	103
Penn, Ohio & Detroit 1st "A" 4½s, 1977	102½	105
Pennsylvania R. R. Sec. 5s, 1964	105	106
Reading Co. Gen. & Ref. "A" & "B" 4½s, 1997	105	105
Southern Pacific San Fran. Terminal 1st 4s, 1950	105	105
Union Pacific 1st & Ref. 4s, 2008	107½	107
do 5s, 2008	107½	113
do 4s, 1968	100	101
do 4½s, 1967	102½	105
Virginia Railway 1st "A" 5s, 1962	110	112

Industrials

Name	Present Call Price	Approx. Market Price
Aluminum Co. of America Deb. 5s, 1952	105	106
American I. G. Chemical Deb. 5½s, 1949	110	109
Am. Smelting & Refining 1st "A" 5s, 1947	100	102
Commercial Investment Trust Deb. 5½s, 1949	110	111
Crucible Steel Deb. 5s, 1940	101	101
Goodrich (B. F.) 1st 6½s, 1947	107	109
Goodyear Tire & Rubber 1st 5s, 1957	103	104
Gulf Oil Deb. 5s, 1947	104	105
Inland Steel 1st "A" 4½s of '78 and "B" 4½s of '81	102½	105
International Cement Deb. 5s, 1948	103¼	103
National Dairy Products Deb. 5¼s, 1948	103	104
National Steel 1st 5s, 1956	105	106
Phillips Petroleum Deb. 5¼s, 1939	101	103
Remington Rand Deb. "A" 5½s, 1947	†	103
Royal Dutch Deb. 4s, 1945	100	115
Shell Union Oil Deb. 5s, 1947	102	103
Shell Pipe Line Deb. 5s, 1952	102½	104
Sinclair Cons. Oil 1st "A" 7s of 1937 and "B" 6½s of 1938	101	102
Standard Oil of N. Y. Deb. 4½s, 1951	101	103
Swift & Co. 1st S. F. 3¾s, 1950	‡	...
Texas Corp. Conv. 5s, 1944	101½	103

† At 102½ for sinking fund; otherwise at 104. ‡ At 100 for sinking fund; otherwise at 103.

Significant Foreign Events

By George Berkalew

Foreign Representative of The Magazine of Wall Street

Great Britain—The Jubilee Hang-over

After the enthusiasm of the Jubilee has subsided, delegates to the 1936 Imperial Conference must face the sober facts of reality and determine if a further step should be taken toward isolation and Empire self-sufficiency. We do not believe that the Conference of 1936 could accomplish much in this direction. It is becoming more and more obvious that time-honored methods of jubilation are of little avail in preventing the gradual disintegration of what was once known as the British Empire. The motivating forces of trade are stronger than the ties of tradition. Already the dominions show embarrassing symptoms of independence, are zealously seeking markets beyond the confines of the Empire.

The 1936 Conference will also be an opportune occasion for other countries to present their protests against discrimination and preferential treatment applied by the respective units of the British bloc. Canada does not see eye to eye with England on the sterling policy of the Lord Chamberlain, British trading with Brazil has aroused the ire of Australian meat producers, Egyptian and Indian cotton planters are finding it increasingly profitable to deal with Japan than with Manchester—all salient points of contradiction exceedingly embarrassing to the loyal supporters of Empire solidarity.

Furthermore, these fundamental issues may be of sufficient importance to override Mr. Chamberlain's decisive "no" on international monetary stabilization before 1936 has spent its course.

* * *

France—The Political and Monetary Crisis

Matters in France have reached an acute stage. Dragging deflation and a growing business stagnation have culminated in a renewed and most intense flight of capital. Repeated upward revisions in the bank rate and continued assurances from official sources that France would not devalue failed to stem the tide. Seeking from the Chamber of Deputies extraordinary powers in order to cope with the situation, the Flandin government was rebuffed, and resigned. The succeeding government is headed by M. Bouisson, a former Socialist, who made his acceptance contingent upon receiving the powers that were refused M. Flandin, but whether the guarantees that have been given him will be ratified when he goes before the Chamber is still a matter of doubt.

Although the monetary crisis eased somewhat on the news of the new government's formation and despite the reassurance in the fact that the Bank of France continues to meet all demand for gold, there is no doubt as to the ultimate outcome. France cannot stand such deflation and loss of gold as she has experienced indefinitely and it makes no difference that the French press is still emphatic in its rejection of devaluation. M. Flandin's policy of cheap money has failed spectacularly and French rentes sell today to yield more than 5½ per cent, against a yield of only 2.8 per cent in an unstable currency on British consols. Though, as it now appears, the most recent attack on the franc has been headed off for the time being, sooner or later devaluation is certain.

* * *

Switzerland—Another Currency Storm Center

According to the latest official statistics in Berne, Swiss customs receipts have dropped over 14½ million francs for the first four months of 1935, as compared to the corresponding period of last year, while exports have dropped in turn 4 million francs in April as compared to March.

The drain on the Central Bank's gold reserves accentuates the strain on the financial situation, which has for some time been acute, as a result of the impossibility of liquidating frozen German credits. With the tourist industry overshadowing import interests, the Swiss franc is under pressure from practically every quarter.

Furthermore, the technical position of the currency has been undermined by the repeated sales of large amounts of Swiss francs by Dutch banking concerns. Thus, despite the fact that the referendum of June 2 rejected devaluation, Switzerland is regarded as another, and important, storm center of the currency conflict.

Of primary importance in the conflict of currencies is always the desire, regardless of country or financial creed, to return to gold.

England is evidently unwilling to stabilize for some time to come, but she has also to take the dominions into consideration, where opinion is increasingly in favor of stabilization.

In Canada, the directors of the Royal Bank have declared that the time has come for world stabilization, but this cannot be effected successfully at present rates of exchange, which would constitute a very heavy burden on the "gold bloc" countries. The best solution would appear to consist in an agreement as regards certain specified gold parities between the United States and the sterling group, with another parallel agreement as regards the "gold bloc" group. Without such a convention, the return to the gold standard in England on the present sterling basis would

entail a flight of capital of such proportion that a new financial crisis would follow in the principal European countries.

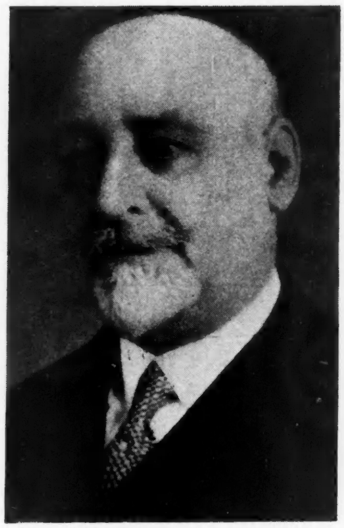
There is no doubt that whatever prompted Mr. Morgenthau's speech, this marks an important stage in the monetary conflict, not that stabilization is imminent, but because the idea of stabilization is coming increasingly into favor in countries suffering from fluctuating exchange and where the future is viewed with anxiety.

* * *

Germany—Too Poor to Fight?

While diplomats ostentatiously sign treaties of mutual military assistance, Germany quietly accumulates war supplies to the limit of her meager means. Her last purchase from the United States calls for delivery in July of one hundred thousand tons of copper; the steel industry has contracted for the entire output of Mexican molybdenum—the other two sources of supply furiously competing for orders, Sweden and the Climax Co. of America. Protests in the House of Commons proved of no avail to stop German shipments of the International Nickel Co. of Canada. Isolated incidents of this sort, when taken in conjunction, are proof positive of Germany's intent to prepare for war, but by no means are indicative of Germany's capacity to wage war. As compared to Mussolini's mobilized million, his militant defiance of League censure over the Abyssinian question, Germany's military operations appear puny in comparison. But the two countries have one point in common; each faces imminent economic collapse.

Labor discontent in Milan manufacturing centers has been carefully soft-pedalled by the Fascist press, whereas in Germany, Dr. Ewald Hecker, "feuhrer" of the National Industrialist Group, has been replaced in this important post by Tremdelenburg, former Under-Secretary of State. This nomination is symptomatic, glaringly revealing the impotence of the National Socialist government to reorganize German economy by experts promoted from the party ranks, a somewhat belated admission that even glorified state capitalism is fettered to the commonplace virtues of competence and efficiency.



Wide World Photo.

FERNAND BOUISSON

Heads New French Cabinet

* * *

Poland—A Common Front with Germany

For the past 150 years, Poland has been crushed under the boot of Russia, pounded by the mailed fist of Germany, stepped on by the more delicate slipper of Austria. The national unity of modern Poland was achieved by the iron will of the late Dictator, General Pilsudski. Lacking the direction of this central figure, a man who could awe Parliament into submission by the mere vigor of his profanity, European statesmen are anxiously watching the trend of events in Polish politics. In spite of renewed French overtures, it is believed that Polish diplomatic procedure, always consistent with expediency, will lean toward a closer rapprochement with Germany to defend their common front against the Soviets.

Thus the conclusion of the Franco-Russian accord has served not only to cement Poland and Germany in what they term a mutual cause for defence, but more significantly has dampened British fervor to intercede unreservedly on behalf of the new Franco-Italian "defensive" imperialism.

* * *

The Third International

The Committee of the Third International has recently informed Stalin on several occasions that in their belief the policy of alliances with the "bourgeois" powers has not met with the decisive success looked for by the Soviets. The Committee is trying to persuade Stalin that Litvinov's successes are apparent rather than real: the military alliance with France is not what was desired at Moscow, co-operation with the United States can no longer be counted upon, credits obtained are small and their utilization will be controlled by the lenders—but on the other hand, the restraining policy of the Committee of the Third International and its decreased foreign allocations following the advice of Soviet diplomats has given deplorable results: there are already signs of disintegration among certain Communist groups abroad.

* * *

Foreign Funds for Wall Street

There seems to be no doubt but that a general currency stabilization would result in a tidal wave of European capital to Wall Street. Already American banks and brokerage offices in Europe, especially in Paris, are receiving numerous inquiries. Brokers report that such inquiries come in from people who have consistently refused to consider American investments for the past eighteen months, as well as from individuals having had no previous contact with the various American branch establishments.

Free capital, or "bad money" according to the London term, is now torn between two fears: the fear of a further devaluation of the dollar to fifty cents on one hand and the fear of war or devaluation in Europe on the other. Were it not for the apprehension of a possible 16 per cent cut in the dollar, the movement would already have been dramatic. But even now the current has assumed fair proportions, as indicated by continuous gold shipments to New York. Should international stabilization withdraw the restraining peg by definitely fixing the gold content of the dollar, the fear of European complication would no doubt be much stronger than any apprehensions as to the ultimate effects of the New Deal, the silver policy or the specter of monetary inflation. The fear of the more immediate menace would prevail over the more distant and less drastic one.

Even should the war scare subside, and there is no reason to expect this eventuality, the possibility of devaluation of the last remaining gold currencies will be sufficient to send every French or Swiss franc and Dutch guilder towards the stabilized dollar. Offer capital safety at 2 per cent to 3 per cent on investments in America, and Wall Street will see a boom financed from Europe which should more than compensate the disappointment of domestic inflationists.

Real Estate and Building Reviving

Increased Mortgage Money Available — and Expanding Demand for New Homes Spurs Private Construction and Brightens Outlook for Companies Associated with Building

By NORMAN TRUMBULL CARRUTHERS

Favored Companies Associated with Building

Company	Year 1934	1st quarter 1934	1st quarter 1935	Recent Price	Divi-dend $	Yield %
American Radiator & Std. San...	0.11	NF	NF	13	......	......
Devoe & Raynolds "A".........	2.36a	NF	NF	44	10	2.2+
Flintkote "A"..................	2.48	Nil b	0.07b	20	1	5
International Cement...........	1.04	0.08	0.18	28	1	3.5
Johns-Manville.................	0.30	Nil	0.15	46	25cE	......
Reynolds Metals................	1.68	NF	NF	22	1	4.5
Ruberoid.......................	3.14	NF	NF	52	1	1.9
Sherwin-Williams...............	5.31c	NF	NF	96	3	3.1
U. S. Gypsum...................	1.28	NF	NF	51	1	1.9
Yale & Towne...................	0.12	0.04	Nil	20	60c	3

NF—Not available. a—Year to November 30. b—12 weeks to March 23. c—Year to Aug. 31. d—Plus extras. E—Paid this year.

A REAL estate dealer, driving around town to kill time, of which he seemed to have an inexhaustible amount ripe for slaughter, reflected that there were almost no "for sale" signs on vacant lots. Five years of depression had resulted in virtually complete disappearance of this once conspicuous feature of the urban topography. Enthused by the very audacity of the idea, he began a month ago to apply some of his time destroying leisure to the restoration of the old-time appearance of vacant lots. Almost immediately buyers trooped in and sales began.

"The real estate depression was on the run and I didn't know it," he told me.

In real estate, they no longer speak of turning the corner in the future tense. The famous corner is considered as definitely turned; the only difference of opinion is as to how far back it already is.

Witness Stewart McDonald, Acting Administrator of the Federal Housing Administration, who said to me:

"The back of the terrible depression has been broken and we are on our way forward to a state of well being that will endure."

"Of course," I answered cynically, "but on the level—just between ourselves?"

"No difference—when I say broken I mean broken. Look at that!"

"That" was a memorandum of reports on modernization and mortgage loans under Titles I and II of the National Housing Act. Each set of reports was running at an average of a million dollars a day—and they covered only the F H A sector.

That people are modernizing their residences and borrowing to refinance or build homes at the rate of $2,000,000 a day proves nothing by itself. The significance is that they can borrow, are borrowing. Not so long ago, the only news relating to borrowing on real estate was of foreclosures, and refinancing through the Home Owners Loan Corporation and the Farm Credit Administration—relief institutions. It was only two years ago that an Iowa mob was on the point of lynching a foreclosing judge, and foreclosures were generally prevented by force and intimidation. Now the once terrorized mortgagees and the fearful mortgagors are clasping hands in celebration of new covenants.

There is evidence of many kinds in many areas that real estate is coming back and that private building is recovering. During the first quarter of this year the number of reported building permits increased 60.9 per cent over that quarter of 1934 and the indicated cost went up by 45.2 per cent. Permit figures for March show that month ahead of March, 1934, by 40.4 per cent in the number of permits and by 75 per cent in cost. April came down the exhibition pike with an increase of 134 per cent in all building permits and in residential building permits of 140 per cent over those of the month of rain in 1934, representing an increase in family housing units built of more than 200 per cent. All the nine geographic divisions of the country established for statistical purposes by the Bureau of Labor Statistics showed increases in both number and value of building operations. Not only that, but as compared with March the number of building permits issued in April showed a greater than normal seasonal increase. Latest figures show new residential building running upwards of 100 per cent over 1934 in both number and estimated cost.

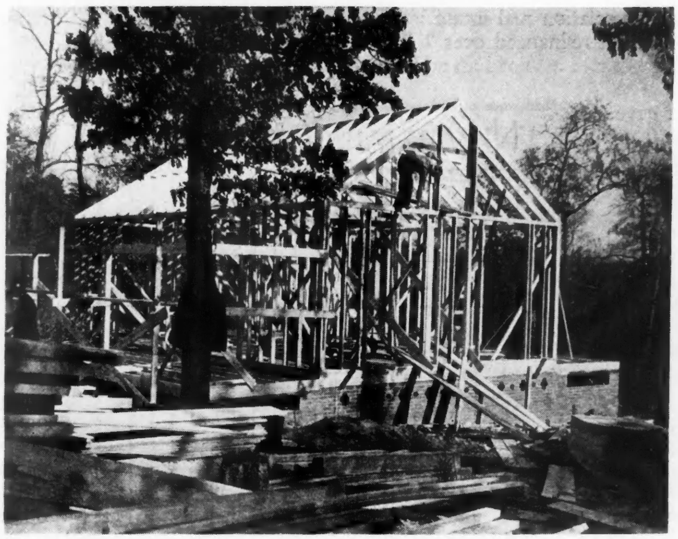
F. W. Dodge Corp. reports of residential building con-

tracts for April reveal that building contracts during that month were higher than for any other month since the latter part of 1931. Private construction, taken by itself, made the best showing in more than three years. Residential contracts for the first four months of the year in the 37 eastern states covered by the Dodge reports totaled $114,000,000 as against $80,000,000 for the corresponding period of 1934. Contemplated residential building for April, amounting to $100,000,000 was up about 46 per cent over April, 1934. Gains in residential building contracts were shown in April in all regions except the New England states and the New Orleans area.

A Long Way Back

A note of caution must be sounded as to the value of comparisons. In 1934, as a whole the number of family housing units provided in 819 cities was down to 29,908 and the total number of new buildings in 812 cities was only 86,715. Back in 1925 the number of new family residence units was almost 500,000 in 257 cities. In that peak residential year the total cost of all new buildings in the same cities was more than $3,800,000,000. The corresponding figure for 1934 was a pitiful $377,000,000, and expenditures for residential buildings were down 97 per cent; (all construction reached its all-time record in 1929—$9,000,000,000). When statistics descend to such low levels percentages by way of comparison are meaningless and absolute differences are treacherous. The thing to look for is the trend. The trend is in the right direction month after month, and there are many reasons why it will continue and become more and more enduring.

This article is devoted mainly to consideration of non-governmental building, but it should be noted that publicly financed building accounted for a considerable part of the building operations of 1934, although figures are not available to show its proportions. The total amount of P W A funds earmarked for building construction in 1934 was $170,000,000, out of a total construction allocation of $765,000,000 for non-Federal projects. Under the new P W A program $900,000,000 has been allocated for non-Federal projects, but the proportion that will go into buildings is not definitely known; it may be $200,000,000.



Cushing Photo, from Nesmith.

Home Building Is on the Increase the Country Over

Speaking of construction in a broad way, the Federal Government's Work-Relief program calls for the expenditure of $4,000,000,000, besides regular public works appropriations of several hundred million dollars. These amounts will be augmented by state and local co-operative supplements and independent projects. State governments spent on their own projects in 1934, $38,000,000 for buildings and $80,000,000 for highways.

Emergency public works, however, while they are temporarily of great economic importance do not have much to do with construction trends, except as they may have the effect of deterring private effort; however, any measure of publicly financed building now in sight does not importantly conflict with private enterprise. That of course is not so applicable to construction in general. But a part of the residential building sponsored by the Government really amounts to subsidization of private building. For example, the undertakings of limited dividend corporations in the housing field, where we have P W A loans to such corporations, are swelling the total of home building in an impressive way.

Taking the Broad View

Getting out of the jungle of entangled statistics which necessarily make construction data always more or less obscure and subject to explanations and qualifications, it is possible to get a far-and-wide view of the future of building in particular and of real estate in a more general and vague way.

It is to be noted that building in the United States—the greatest consumer of the products of other industries—fell further and harder than any of them. When you find an industry—building—which has lost 95 per cent or something like that of its one-time volume you reach the region of "chaos," "demoralization" and "paralysis"—terms so loved of economic writers in recent years. Having got down into the lowest nether regions this construction industry sought to dig into the bottom of the muck and suspend all animation.

Apartment houses, hotels and office buildings accepted foreclosure as a normal affair. Vacancies piled up in all but the cheapest apartments, as people moved down in income scale; vacant detached houses endowed all cities with a blind and moribund aspect, hotels shut up whole blocks of rooms, families huddled together, whole business streets closed their doors and vacated factory buildings were so common that an occupied one was a novelty. Residences went under mortgages by the scores of thousands, evictions shocked public sensibility, and yet former owners frequently stayed on as free tenants—even sometimes receiving a consideration for remaining.

When industrial production showed signs of revival in 1932 and really did revive in 1933 the general judgment was that building could no more resist recovery than a full balloon could stay down. But except for P W A, C C C construction and other public works which gave building statistics in 1933 an illusory boost, building kept on receding, until in January of the current year it got almost down to the zero hour figures of March, 1933, while all the time industrial production was steadily rising. *Never were*

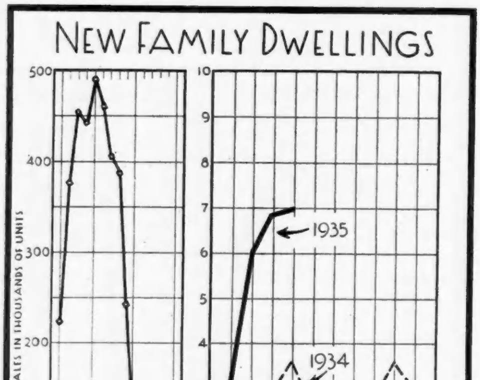
the curves of building and industrial activity so far apart as last January. This unique situation—of a country recovering industrially while receding in the basic construction industry—gave considerable color to the New Deal theory that construction would have to wait on general recovery instead of starting it.

Several explanations of this situation are to be noted. First, the New Deal monetary, fiscal and general economic policies affected building the same as all other constructive and reconstructive enterprise with the blight of fear and apprehension. Second, the brief post-war business recession of 1920 and 1921 had but little result in the way of deflation of mortgage debts; the load was carried forward and turned into a vast overload in the next eight years; consequently, an abnormal job of deflation was shouldered onto the real estate field after the 1929 smash. Third, the recovery of wholesale prices, which began in the summer of 1933, has kept on steadily. Building materials never did go down very far, having kept around the 75 per cent line on a 1926 base, and the unionized building trades have nominally, at least, maintained close to 1929 wage rates, even with four men in five out of work. The maintenance of fixed transport rates on building materials and almost no recession in distribution costs confirmed an almost immovable building cost structure.

Leavening Forces at Work

On the other hand, since 1932 powerful forces have been at work to dissolve the building impasse. The Reconstruction Finance Corp. came to the rescue of insurance company and building and loan association real estate lenders. The Farm Credit Administration refinanced over 2 billion dollars worth of farm mortgages and assumed an additional burden of new loans. The Home Loan Corp. lifted or gave assurance of $3,200,000,000 of relief to urban mortgagors and mortgagees. The Federal Home Loan Bank founded hundreds of new building and loan associations and extended capital assistance to others. Both the H O L C and the F C A made huge loans for modernization and repairs of properties on which they hold mortgages. The Government embarked on a deliberate policy of lowering interest rates through treasury policies and H O L C and F C A refinancing one of the factors being the insuring of both bank deposits and those of building and loan associations.

The Home Loan Bank System, intended to be a rediscount agency in the mortgage field of finance, similar to the Federal Reserve in commercial credit (a particular pet of President Hoover's) swung into action about the same time as the R F C. Although not primarily intended as an emergency measure, that slant was promptly given to it, and its resources have been used more to relieve the distress of long term home financing institutions than to finance or help the home owner notwithstanding that its child and ward, the Home Owners Loan Corporation, came later into the field as the great urban mortgage relief agency. The result is that building and loan associations are in a more liquid condition than they have been for years.



They are avidly in the market for loans, and have reduced their indebtedness to the F H L B from $94,000,000 to $74,000,000.

Now, however, member institutions of F H L B have about $180,000,000 available for mortgage discounts and another $75,000,000 is already outstanding. Its discount rate, it announces, has recently been reduced to 3 per cent, and Farm Land Banks are already ordered by Congress to make one-year loans at 3½ per cent and long-time loans at 4, Uncle Sam financing the difference between the 5 per cent he pays for land bank bond issues and what he gets from borrowers.

The Federal Savings and Loan associations—another child of F H L B—now number 550 and recent legislation has made $300,000,000 available to them and other members of the F H L B system, with the loan insurance rate reduced 50 per cent.

Enter the F H A

Then came the Federal Housing Administration in 1934 with its policy of insuring both modernization and building loans on an approximate 5 per cent basic rate of interest. Finally, the R F C entered the field of low-interest mortgage loans for the purpose of completing unfinished structures of industrial companies undergoing reorganization; and it now has authority to buy preferred stock in the Mortgage Loan Associations the F H A is endeavoring to organize, although F H A prefers to finance these associations entirely through private investments.

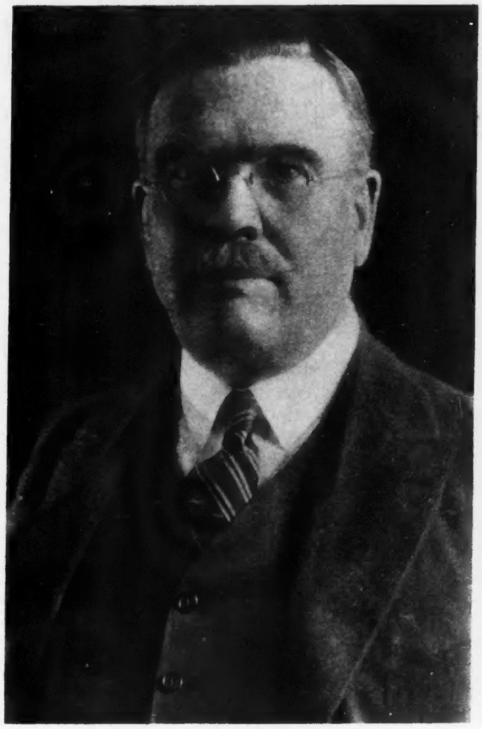
Meanwhile the Federal Reserve policy in respect of mortgages has undergone a profound change and the pressure on member banks for liquidation of such liabilities has been greatly reduced, particularly in view of the new banking bill, which authorizes long-time mortgage loans by member banks. This departure is arousing keen interest of local bankers in mortgage loans—about the only local outlet for considerable sums at any time. The Supreme Court's crushing overthrow of the Frazier-Lemke law for the expropriation of the equities of mortgagees, in the recent Big Three decision day, has put farm mortgages back on the map for cautious investors just at a time when the economic situation of agriculture appears to be entering upon a long period of improvement and optimism.

Finally, with impressive indications that recovery is on its way and the accumulation of plethora of idle funds in banks and in all the mortgage investment agencies, the pressure for foreclosure has let up in all except the most hopeless cases, and aggressive lending is again appearing. In New York City the savings banks are again advertising that they are in the mortgage business, and all over the country the real estate pages of the newspapers are sprinkled with mortgage loan offerings. Real estate brokers report that investing individuals are on the systematic prowl for promising mortgage loans and all the life insurance companies are turning back to mortgage loans despite the general feeling that the country is headed for

(Please turn to page 210)

The Menace of Poisoned Words

Abused Words and Phrases Contribute Potently to the Troubles of Business in Its Public Relations—Rhetoric as Important as Figures.



Bernard J. Mullaney

Vice-President, The Peoples Gas Light and Coke Co.

BUSINESS has been getting forceful high-lights in education concerning the poison latent in carelessly accepted word-labels. Acts are of limited significance until interpreted in words. The words then gather implications and connotations as they travel and their power, in a population susceptible to catch-words and slogans, is made explosive by the news-headline, the movie and the radio.

"Capitalistic"—to the man in the street the word is packed with inimical suggestion: a serious matter when the poison word becomes the accepted label of a spontaneously evolved social and economic order.

Progress toward real Industrial Democracy has been impeded if not blasted by acceptance of the term "company union" as the label of friendly collective bargaining as opposed to hostile bargaining.

The damning word "monopoly" has been a blight to the public utilities; probably most of their current troubles are traceable to this source. It exalts for example the demagogue pretense that rate crusades spring from a noble aspiration to "ease the cost-of-living burden." Easing the burden by whittling the smallest item in it whilst increasing the larger ones! Public utilities are correctly called "natural monopolies," when the term is used with academic precision in the strictly economic sense—meaning that the business is properly and inherently one of single service in a given area. In common usage, the adjective disappears and the stark noun gathers all the sinister implications and connotations spawned by efforts to establish oppressive artificial monopoly in other fields. To the man in the street, "monopoly" means just one thing—a means of gouging him by greedy control of production and prices.

Fairly considered, public utility services do not fit into that mental picture. They cannot be stored for a price rise; they have to be produced and delivered as wanted; nobody "has to have them," and just because they are natural monopolies they are properly and necessarily subject to public control, and exposed to expropriation.

There was no "monopoly" advantage at work when kerosene displaced candles and whale oil; when gas lighting displaced kerosene; when gas fuel superseded wood and coal in urban kitchens; when electric light displaced gas light; when the trolley car superseded shank's mare and the horse and buggy; when telegraph and telephone began competing with mail and messenger.

Electric service is talked about as if it were an existent, natural resource that has been filched from "the people." Electricity really does not exist (except the "wild" electricity of thunderstorms) until somebody couples a generator to a prime mover (engine or water fall) and produces it. Anybody who wants to can make his own—in his store, office, factory, basement or back yard. Many do. It doesn't become a "universal necessity" until excellence of service, advertising and salesmanship make people want it through the medium of a *single service under their control.*

In the perverted everyday meaning of "monopoly," public utility services are no more of a monopoly than spring wheat, kitchenettes, or coonskin coats. Every kilowatt hour of electricity, cubic foot or therm of gas, street car ride, telephone call, or telegram bought by the user, is bought only because it is cheaper, more convenient, more efficient, or otherwise more desirable than something else that he could use for the same purpose.

The point of all this is that Business ought to wake up and realize that concentration on strictly market-place considerations exposes it to getting hit below the belt. It must learn that advance attention to the kind of government we have is a fundamental business concern. It must learn that it deals with popular conceptions of economics and with mass psychology as well as with mere bookkeeping. It must realize that rhetoric is as important as statistics.

Bernard J. Mullaney

One of a Series of Guest Editorials by Leading Men of Industry

¶ *Heavy Taxation, Government Competition, Rate Agitation, Wheeler-Rayburn Bill*

¶ *What Is the Future of Public Utilities?*

Nineteen Billion Dollars On the Spot

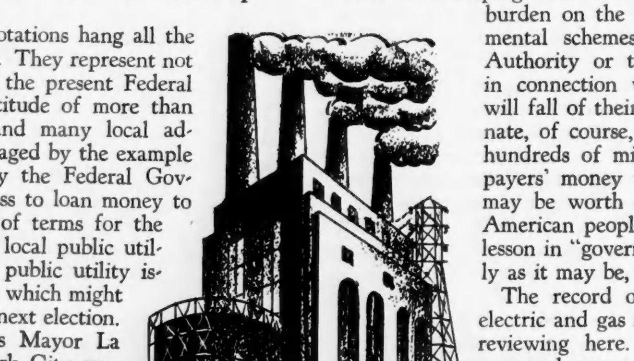
By Ernest Greenwood

Fury said to a mouse,
That he met in the house,
"Come, let's go to the law, I will prosecute you.
"Come, I'll have no denial,
"I must have a trial,
"For really this morning I've nothing to do."

Said the mouse, "I demur";
"Such a trial, dear sir,
"Without judge or jury would be wasting our breath."
"I'll be judge and jury,"
Said cunning old Fury.
"I'll try the whole case and condemn you to death."
From "Alice in Wonderland."

"While steam plants constitute 40 per cent of the capacity of the Southeastern companies, these steam plants have been practically idle for the past few years because these companies, at the request of the Government, have shut down the steam plants and purchased power from Wilson Dam, paying the government an amount *equal* to what it would have cost them to generate power in their own plants."
Wendell Willkie, President,
The Commonwealth & Southern Corp.

AND on these two quotations hang all the law and the prophets. They represent not only the attitude of the present Federal Administration but the attitude of more than one state administration and many local administrations which, encouraged by the example set by Washington and by the Federal Government's apparent eagerness to loan money to municipalities on any sort of terms for the purpose of competing with local public utilities, have seized upon the public utility issue as a rabble-rousing issue which might be extremely helpful in the next election. An outstanding example is Mayor La Guardia with his New York City municipal plant proposals.



In most instances the local citizens—the tax-payers who must pay eventually for the government-owned and operated plant and who recognize what government competition means to them or their fellow citizens who own the securities of the local utility company—have turned a cold and somewhat jaundiced eye on these proposals. The Federal Government has had some difficulty in loaning money for the purpose of establishing local government plants and distributing systems. The public has been fairly well educated to the respecting merits of government service vs. private ownership and operation service. Even the Secretary of the Committee on Coal and Giant Power (appointed by the League for Industrial Democracy in 1925 "to make a study of coal and superpower with a view to preparing plants for their efficient public ownership") admitted in 1926:

"We have made three attempts at control. We have set up municipal plants. Their status is changing and we should face that fact. Outside of the large cities they *can no longer compete in rates and efficiency with the new plants being established by companies.*" This of course is the answer. Until the government—whether Federal, state or local—can absolutely prove that it can generate and deliver electricity at a price cheaper than the price charged by the privately owned company without resorting to trick bookkeeping and without placing any additional burden on the tax-payers, even such monumental schemes as The Tennessee Valley Authority or the light and power project in connection with Boulder Canyon Dam will fall of their own weight. It is unfortunate, of course, that in the meantime many hundreds of millions of dollars of the tax-payers' money will have been spent but it may be worth while in the long run—the American people will have learned a lasting lesson in "government in business" and, costly as it may be, it will be quite worth while.

The record of the public utilities—both electric and gas is too well known to require reviewing here. The story has been told over and over again in the columns of THE MAGAZINE OF WALL STREET. Starting from scratch in 1882 with less than a score of customers

the electric light and power industry had slightly less than 4,000,000 customers within 30 years. Today it represents an industry in which 14 billion dollars have been invested by the American people—an industry serving 24 million customers scattered throughout the nation in nearly all cities, towns and villages including some 740,000 farms. It has an unbroken record of constant improvement in the quality of service and an almost unbroken record of a steady reduction in rates since 1913. Until the present Federal Administration came into office its securities were among the most highly regarded in the world.

Gas Also Threatened

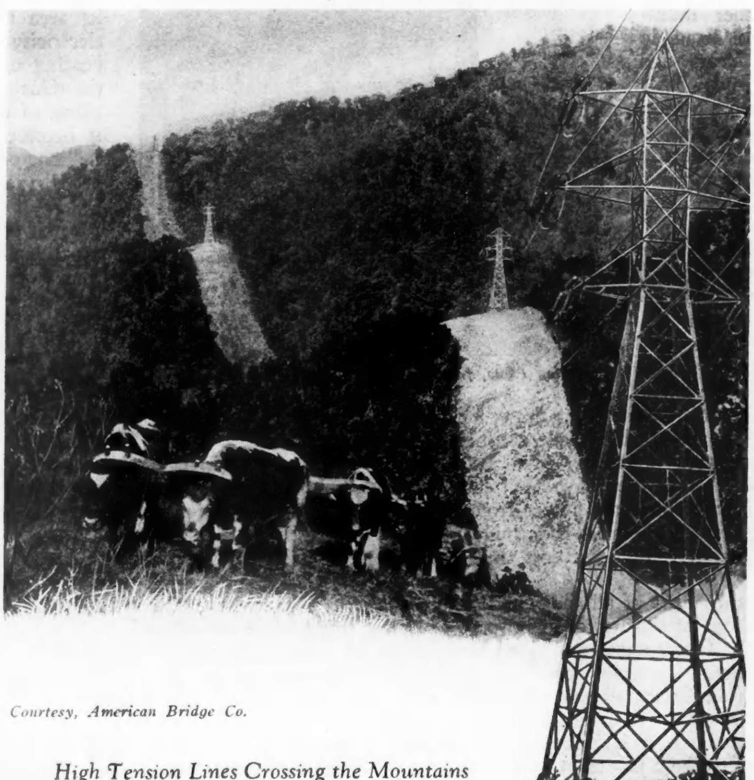
The same features have characterized the gas industry—particularly the manufactured gas industry. In the past there has been a certain amount of "wild-catting" in the natural gas industry but today this is on the same stable basis as the manufactured gas industry. Older than the electrical industry—the gas industry is now more than 100 years old—its 2,000 companies are serving 15 million customers. It represents an investment of nearly 5 billion dollars entrusted to it by more than 3 million people. Like the electric light and power industry, its securities have been held in high esteem. Yet these securities, or rather the values of these securities, are threatened with the same destructive forces threatening the electric light and power industry for, as we will presently see, if the present Administration's plans for a great government owned and operated hydro-electric system are permitted by the American people to be carried out to their logical conclusion, they might go far toward destroying the privately owned and operated electric light and power industry and also toward destroying the gas industry, to say nothing of their serious effect on the coal industry, the oil industry and on transportation.

Such an eventuality seems absurd on the face of it. There are nineteen billion dollars of the people's money at stake! Highly technical services on which the men, women and children of these United States have become absolutely dependent would be placed under the absolute control of a highly centralized political hierarchy which, according to Senator Daniel O. Hastings (discussing the Administration's plans for administering the 4-billion-dollar work relief fund) "has unlimited opportunities . . . to set up the most highly financed political machine in the history of the country." A highly specialized and highly organized business would be headed for the chaos which always results when the Government attempts to mess in what has heretofore been private enterprise and turn it over to the politicians. And all to no purpose except to give the little-red-school-house brand of economists a chance to demonstrate their fantastic theories of socialization under the guise of "reform."

Socialistic Influence

For almost a generation the Socialist Party of America, with its numerous offspring such as the Public Ownership League of America and the League for Industrial Democracy, has been preaching the doctrine of government ownership of the "railroads, express service, steamship lines, telegraphs, mines, oil wells, power plants, elevators, packing houses, cold storage plants and all industries operated on a national scale" * * * to be "administered jointly by the government and representatives of the workers, not for revenue or profit." It is interesting to note that in 1926 on the Advisory Council of the Committee on Coal and Giant Power of the League for Industrial Democracy we find the names of Senator George W. Norris and Donald Richberg.

Keeping in mind the fact that what is going on in Washington with regard to the public utilities is only the culmination of plans laid many years ago, just what are the privately owned and operated utilities facing today? First, government competition on a scale so far beyond anything which has ever been dreamed of that it might well be frightening if it were not already showing signs of failure. Second, drastic regulation with regard to rates—a more or less artificial and inspired demand on the part of the public which will probably be forgotten once the depression is allowed to die a natural death. Third, constantly mounting taxes with an effort to impose them so that they cannot be passed on to the ultimate consumer as is done with taxes on the product of every other industry. Fourth, the effort to destroy the holding companies and break the electric light and power industry up into a multitude of large and small local units where they would be "easier picking" wherever the radical socialists might be in control of Government. This last effort, resulting in the so-called "Wheeler-Rayburn Bill," is just about as absurd as the



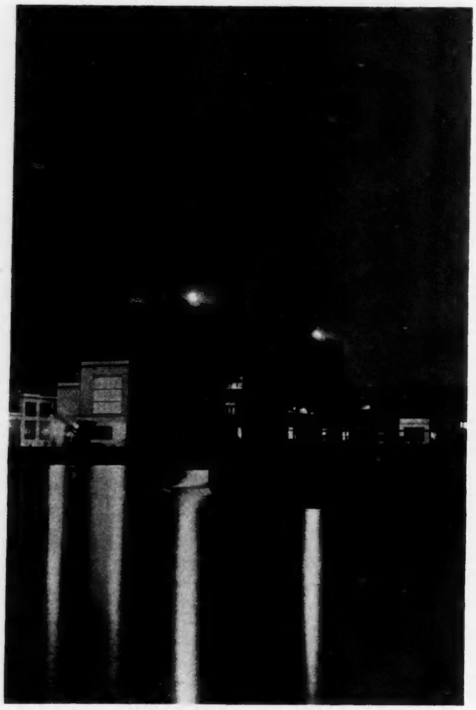
Courtesy, American Bridge Co.

High Tension Lines Crossing the Mountains

idea of breaking up our great telephone system into thousands of local units thereby putting the service back on a par with the service in the late nineties.

One of the first acts of the present Federal Administration—almost before the President and his associates in the New Deal had warmed their new office chairs—was the establishment of what is known as the "Tennessee Valley Authority." Some such action was to be expected in view of the President's attitude toward the public utilities while he was Governor of New York and in view of his untiring efforts to put across the St. Lawrence River hydroelectric project—more of an economic monstrosity than Muscle Shoals, Boulder Canyon Dam or the development which is going on in the Columbia River Basin.

Like the record of the electric light and power industry the details of the so-called "T V A" are too well known to the readers of THE MAGAZINE OF WALL STREET to require rehearsal here. An outstanding fact is that this project duplicates generating facilities in a territory already equipped with generating facilities in excess of the present or immediate future market. A second outstanding fact is that it is an agency which its designers apparently hope will destroy a 600 million dollar investment or for hampering the operation of the properties representing that 600 million dollar investment to such an extent that their owners will throw up their hands in despair and say: "Mr. President, you own another business."



Cushing Photo, from Nesmith

What is not so well known is the effect of the Tennessee Valley Authority on other industries. Let us take for example the coal industry. Years ago Thomas A. Edison said: "We shall steadily require more power, but a great deal more fuss is being made over hydroelectric power than its intrinsic value warrants. The first and best source of power is coal. . . ." I agree with Wendell Willkie when he says: "Personally, I do not know of any unprejudiced, reputable engineer in the country today who does not agree with Mr. Edison's views."

But, to turn back to the opening paragraphs of this story, we find that the steam plants of the Southeastern companies, which have constituted 40 per cent of their capacity, "practically idle" because at the *request* of the Government they have been shut down so that the companies might purchase power from Wilson Dam (a dam which never should have been built) paying an amount *equal* to what it would have cost them to generate by steam.

What does this mean? First of all the abandonment of plants which cost millions of dollars to no purpose except to provide a market for Government generated electricity. Second, it means additional unemployment—the employees of these steam plants found themselves in the ranks of the unemployed. Third, it wiped out a substantial market for coal. Fourth, it reduced the freight receipts of the railroads carrying the coal to these plants.

This is important for if the Government's plans for a great hydro-electric system, developed at the cost of the taxpayers without regard to economic soundness are completed eventually, these effects will be multiplied hundreds of times. Every million tons of coal mined, transported and distributed represents in the aggregate one million work days or steady work for a year of 300 days for approximately 3,335 men. Every million tons of coal displaced by hydroelectric power means the loss of one million work days each year and in perpetuity. In the generation of hydroelectric power every million kilowatts (year) represents six million tons of coal, or steady employment 300 days in the year for more than 20,000 men.

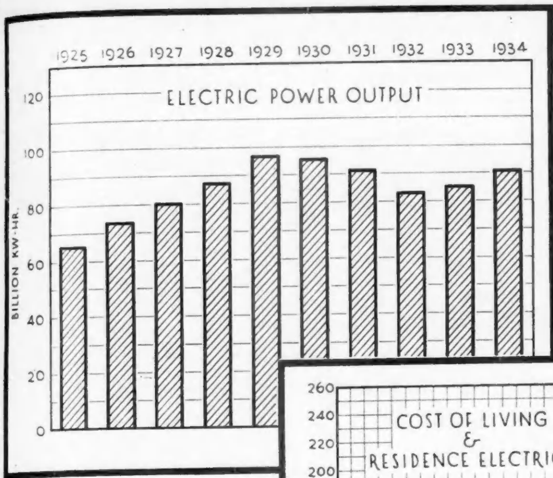
So we find the Federal Government competing not only with the privately owned and operated electric light and power industry in some five or six states (and by methods of trick bookkeeping, which would never be tolerated under the "Uniform Classification of Accounts" law for privately owned utilities in most states, trying to prove that it can generate and distribute electricity cheaper than the existing companies) but we find it competing with the coal industry. It must be remembered that the Southeastern companies are paying for current an amount *equal* to what it cost them to generate with coal. But this is by no means the whole story.

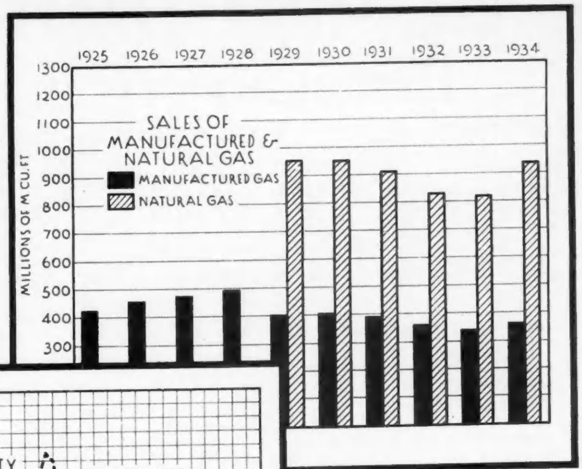
The T V A is in active competition with the gas industry—both manufactured and natural. The Government's "cheap" power looms large as a serious competitor—it is fairly well established that the managers of the T V A are moving heaven and earth to persuade people in its area to change from gas to electricity for cooking and the heating of water. Carrying out the Government's hydro-electric plans to their logical conclusion it becomes a competitor of the millions of citizens who have invested nearly 5 billion dollars in the gas industry—and again, for the sake of emphasis, all to no purpose except to destroy the whole system of private initiative and enterprise and center the control of all of the sources of production and distribution in Washington.

Suppose we turn to Boulder Canyon Dam. Here the Government proposes to transmit hydro-electric power 250 miles into Southern California which already has enough in the way of generating facilities to supply the market for many years to come. It has been demonstrated conclusively that it is cheaper to generate with steam plants fired with cheap fuel oil or natural gas than it is to generate with water power even though the water power may be adjacent to the market.

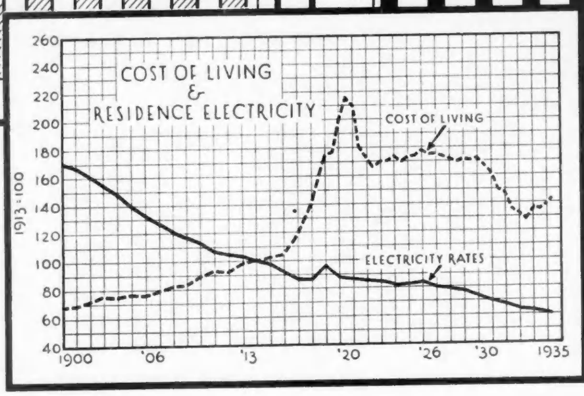
Thus we see the Boulder Canyon Dam project as a competitor not only of the Southern California Edison Co. but a competitor of the oil industry selling cheap fuel oil to electric utilities and the natural gas industry as well. The collateral wreckage—in the coal industry, the oil industry and the natural gas industry—is apparently of small moment to the advocates of government operation. Similar repercussions from the Columbia River, the St. Lawrence River and all the rest of the gargantuan projects

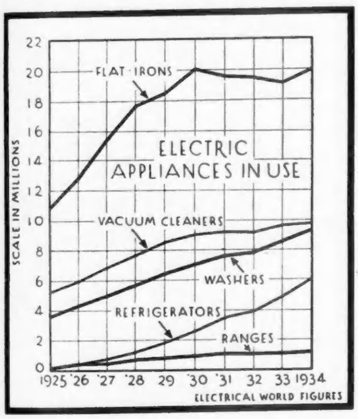
(*Please turn to page* 212)

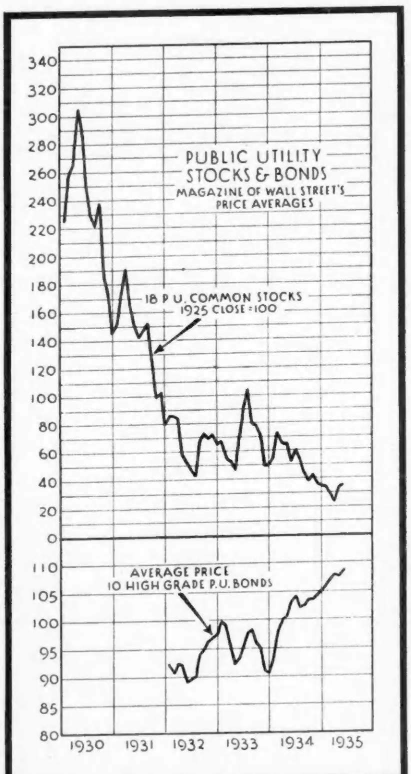


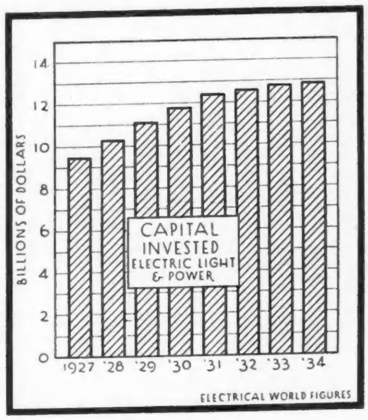


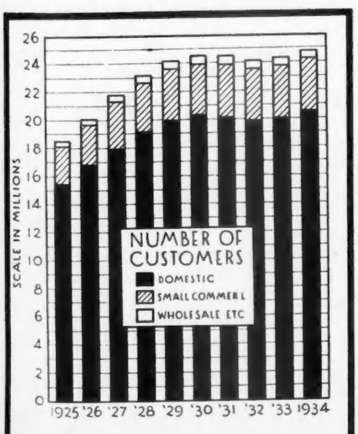
A GRAPHIC RECORD OF PUBLIC UTILITIES

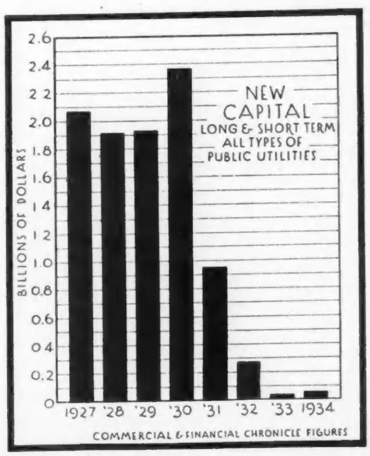












Past, Current and Prospective Position

Company	Plant—Book Value (millions)	Funded Debt (millions)	Common Stock (shares)	Gross Operating Revenues (millions)	Ratio Com. Stock Earnings to Gross	Derivation of Gross Revenue — Elec. %	Gas %	Rwy. and Ice %	Water, H't, Telephone %
American & Foreign Power	685.3	161.2	1,928,050 (n. p.)	60.0	d	80	2	16	2
American Gas & Electric	387.9	194.4	4,482,742	61.9	12.3%	..	..	..	....
American Lt. & Tract.	172.1	64.6	2,767,391 ($25 par)	34.7	10.4%	15	72	3	10% Coke
American Power & Light	717.9	365.7	3,013,812 (n. p.)	77.0	d	85	8	6	1
American Waterworks & Electric	389.9	187.6	1,750,888 (n. p.)	46.6	3.9%	NF	NF	NF	28% Water
Associated Gas & Electric	744.5	587.9	4,490,054 (Cl. A $1 par)	84.0	d	79	13	8	
Brooklyn Union Gas	107.7	49.1	742,084 (n. p.)	22.4	14.1%	....	100	..	....
Cities Service	1,066.3	461.9	37,619,164 (n. p.)	173.8	d	23	20	3	54% oil
Columbia Gas & Elect.	588.4	180.4	11,813,058 (n. p.)	77.4	3.8%	29	67	2	2
Commonwealth & Southern	1,040.8	489.5	33,673,328 (n. p.)	115.0	d	81	7	9	3
Commonwealth Edison (Chicago)	294.2	194.7	1,616,838 ($100 par)	75.9	11.1%	100	..	..	..
Cons. Gas, El. Lt. & Power (Baltimore)	133.1	67.4	1,167,397 (n. p.)	28.9	16.3%	66	31	..	3
Consolidated Gas of N. Y.	1,250.0	396.8	11,476,527 (n. p.)	227.5	11.0%	75	20	..	5% Steam
Detroit Edison	289.6	134.0	1,272,260 ($100 par)	45.3	12.0%	95	1	..	4% Steam
Edison Electric Illum. Co. (Boston)	168.5	71.0	534,875 ($100 par)	29.7	17.4%	98	..	..	2% Steam
Electric Power & Light	617.2	285.5	3,393,945 (n. p.)	74.5	d	53	31	12	4
Engineers Public Service	319.5	147.5	1,909,817 (n. p.)	43.7	d	76	3	17	4% Steam
Federal Water Service	169.5	101.1	569,515 Cl. A (n. p.)	15.7	d	Chiefly water, small amount of gas			
International Hydro-Electric	520.8	280.4	841,128 Cl. A ($25 par)	59.4	1.6%	84	7	8	1
Louisville Gas & Electric	80.5	30.5	600,374 Cl. A (n. p.)	10.0	14.7%	72	28	..	..
National Power & Light	516.1	280.2	5,456,117 (n. p.)	71.5	6.5%	83	6	10	1
New York Steam	56.3	27.4	360,000 (n. p.)	11.1	4.1%	..	..	..	100% Steam
Niagara Hudson Power	571.8	223.9	8,738,250 ($15)	73.6	5.3%	86	14	..	..
North American Co.	653.2	311.8	8,434,409 (n. p.)	101.4	8.9%	78	4	11	7
Pacific Gas & Electric	660.1	293.1	6,261,357 ($25 par)	87.6	10.9%	71	27	1	1

# of Leading Public Utility Companies

Ratio of Maint. & Deprec. to		Common Stock Earnings			Recent Price of Common	Common Dividend	COMMENT
Gross	Plant Value	1933	1934	Latest 1935			
NF	NF	5.78	2.95(6) on 1st Pfd.	....	4	None	Unsettled foreign conditions have hampered company's progress in recent years. No earnings on common in past three years. Stock represents a radical speculation on recovery and growth potentialities of utilities abroad.
18.2%	2.90%	1.75	1.66	1.73(2)	28	1.40	Common stock earnings have held remarkably well during past three years, attesting company's conservative position. Properties pretty well grouped geographically.
12.1%	2.43%	1.64	1.31	1.15(2)	10	1.20	Downward trend in net earnings still in evidence, although company is conservatively managed and financed. Controlled by United Light & Power.
11.0%	1.09%	2.20 on Pfd.	2.23 on Pfd.	2.60 on Pfd. (3)	4	None	This system has been experiencing a sharp recovery in load in recent months, largely due to increase in mining activity in its territory. Is paying $1.50 annually on $6 Pfd.
NF	NF	1.22	1.03	0.94(2)	13	0.80	Company's properties are compact from a territorial standpoint. Earnings still gradually declining, but still showing fair margin over current dividend.
17.0%	1.85%	Fixed charges earned 0.89x	Fixed charges earned 0.98x	....	5/8	None	Adjustment of capital structure in past two years have permitted a better showing on bond interest coverage in 1934. Financial set-up complicated however, and outlook for junior securities doubtful.
11.8%	2.46%	6.18	5.25	4.78(2)	57	5.00	Latest reports so far 1935 indicate earnings are running lower than current dividend. Company is conservatively managed and financed.
....	....	d0.09	d0.19	0.002(4)	2	None	Major portion of Cities Service business is oil and natural gas. Financial set-up complicated, but marked improvement in financial position has been effected during past two years. Common stock highly speculative.
16.9%	2.13%	0.51	0.25	0.20(2) (est.)	7	None	Net earnings on common still declining. Company is probably the largest factor in natural gas in the East, and has attractive potentialities of expanding business.
13.9%	1.54%	5.67 on $6 Pfd.	5.02 on $6 Pfd.	5.17 on $6 Pfd.(3)	1⅜	None	Earnings on common stock non-existent for past three years. Diversification of properties geographically, is sound from operating viewpoint, but Government plans may handicap.
15.2%	3.91%	5.10	5.21	5.51(2)	72	4.00	This operating unit has been showing a gradual rising trend in net earnings since 1933. Supplies Chicago with electricity.
12.7%	2.75%	3.91	4.04	4.10(3)	72	3.60	Progressive management has been able to achieve gradual increase in net earnings and at the same time give consumers frequent benefits of lower rates.
NF	NF	3.31	2.18	2.03(2)	24	1.00	Political agitation has plagued this operating company extremely during the past year. Dividend has been sharply reduced in anticipation of lower level of earnings based on lower rates.
15.7%	2.45%	4.83	4.28	4.16(5)	80	4.00	The marked increase in automobile manufacturing activity has benefited Detroit tremendously, although net earnings of the company are affected by higher charge-offs carried over from previous dull period.
15.7%	2.76%	10.03	9.70	9.93(2)	131	8.00	Dividend reduced late in 1934 to $8.00 annually. Additional rate concession effective April 1st, 1935, will probably restrict any further near term revenue increase. A conservative operating company.
NF	NF	def $2.76 on Pfds.	0.25 on Pfds.	0.10 on Pfds.(3)	3	None	A complicated holding company structure. Earnings barely covering fixed charges, although some recovery has been occurring. Controls United Gas Corp.
16.6%	2.27%	3.20 on Pfds.	2.58 on Pfds.	2.24 on Pfds. (2)	3	None	Nothing earned on common for several years; net available for preferreds showing gradual drop due chiefly to mounting expenses. Over 90% of the common held by Stone & Webster, Inc.
11.1%	1.03%	3.70 on Pfds.	2.79 on Pfds.	....	1¼	None	Heavy capitalization of subsidiary companies absorb most of net earnings of properties, although a moderate amount still available on preferred stock.
14.5%	1.67%	1.96 on Cl. A§	1.14 on Cl. A§	....	2	None	No dividends are being paid on the $3.50 Preferred nor on the Class A stock; earnings being used to buy in large amounts of the debentures, available at large discounts.
15.0%	1.86%	2.65(a)	2.46(a)	....	16	1.50	Operating revenues gained 4% in 1934 over 1933, but expenses increased 7.8%. The company is practically an operating company.
NF	NF	0.90	0.85	0.88(3)	9	0.80	Rate reduction and increasing tax burdens have been restricting progress of earnings recovery. Near term future affected by T. V. A. competition.
12.3%	2.44%	2.67	1.99	0.20(2)	13	None	Gross revenues reached a new high in 1934, a gain of 6.6% over 1933, but increase in operating expenses and taxes more than offset this. Longer term outlook, however, is promising.
15.2%	1.96%	0.66	0.46	0.47(2)	5	None	Probably the largest electric power company in the world in point of output. Aside from the effects of further rate reductions longer term outlook fair.
19.7%	3.01%	1.19	1.04	1.07(2)	15	1.00	This holding company controls several groups of compact properties under decentralized management. Outlook encouraging, except for possible effects of administration's utility reform program.
18.1%	2.74%	1.48	1.52	1.61(2)	21	1.50	Progressive policies and good public relationship have enabled this company to report good progress during the past three years.

Past, Current and Prospective Position

Company	Plant—Book Value (millions)	Funded Debt (millions)	Common Stock (shares)	Gross Operating Revenues (millions)	Ratio Com. Stock Earnings to Gross	Derivation of Gross Revenue: Elec. %	Gas %	Rwy. and Ice %	Water, H't, Telephone %
Pacific Lighting	227.7	96.1	1,608,631 (n. p.)	43.6	12.1%	19	81	..	..
Peoples Gas, Light & Coke (Chicago)	168.1	85.4	676,377 ($100 par)	34.6	2.5%	..	100	..	..
Public Service of N. J.	626.5	199.9	5,503,193 (n. p.)	120.4	12.9%	54	25	21	..
Southern California Edison	348.0	137.9	3,182,807 ($25 par)	36.3	10.3%	100	..	..	..
Standard Gas & Electric	1,053.4	480.5	2,162,607 (n. p.)	128.1	d	67	15	16	2
United Gas	245.7	41.6	7,818,959 (Par $1)	25.4	d	Over 90% natural gas			
United Gas Improvement	606.2	244.4	23,251,750 (n. p.)	98.2	28.1	76	19	3	2
United Light & Power	450.0	263.4	2,405,332 Cl. A (n. p.)	73.9	d	47	41	7	5
Utilities Power & Light	241.7(e)	183.4(e)	1,642,989 Cl. A ($1 par)	49.9	d	78	19	3%	

Telephone & Tele

Company	Plant	Funded Debt	Common Shares	Gross Revenues	Ratio Com. Earnings to Gross	Ratio of Maint. and Gross	Deprec. to Plant
American Tel. & Tel.	4,243.2	1,038.8	18,662,275 (par $100)	884.5	12.7%	37.0%	7.68%
International Tel. & Tel.	410.1	192.9	6,399,002 (n. p.)	79.3	2.6%	NF	NF
Western Union Telegraph	334.9	106.5	1,045,279 ($100 par)	87.2	2.6%	NF	NF

Management and Miscellaneous Hold

Company	Assets (millions)	Funded Debt (millions)	Preferred Stock (Shares)	Common Stock (Shares)
American Cities Power & Light	14.0(m)	none	154,222 $3 Cl. A ($55 liq. value)	2,908,486 Cl. B ($1 par)
American Superpower	28.4(m) (7)	none	254,190 $6 1st Pfd. 235,207 $6 Pref.	8,293,005 (n. p.)
Central States Electric	67.9(q)	37.7	163,640 7% & 6% Pfd. 46,974 Conv. Pfd.	10,125,876 ($1 par)
Electric Bond & Share	552.0(q)	none	300,000 $5 Pfd. 1,155,655 $6 Pfd.	5,267,147 (par $5)
General Gas & Electric	84.7(q)(8)	9.4(8)	657,443 shs Combined Pfds.	5,961,904 Cl. A (n. p.)
Stone & Webster	71.9(q)	none	none	2,104,391 (n. p.)
United Corporation	139.2(m)	none	2,489,065 $3 Preference	14,531,197 ($5 par)

(1)—12 mos. ended June 30, 1934.
(2)—12 mos. ended Mar. 31, 1935.
(3)—12 mos. ended Feb. 28, 1935.
(4)—3 mos. ended Mar. 31, 1935.
(5)—12 mos. ended April 30, 1935.
(6)—12 mos. ended Sept. 30, 1934.
(7)—As of April 20, 1935.
(8)—As of Dec. 31, 1933.
(a)—Distributable on the Class A and Class B shares.

of Leading Public Utility Companies (*Continued*)

Ratio of Maint. & Deprec. to Gross	Ratio of Maint. & Deprec. to Plant Value	Common Stock Earnings 1933	Common Stock Earnings 1934	Common Stock Earnings Latest 1935	Recent Price of Common	Common Dividend	COMMENT
18.0%	3.46%	3.28	2.72	3.27(2)	31	2.40	Greater use of gas in house heating due to somewhat lower temperatures this winter has boosted net earnings. Company has a large industrial gas load in the Los Angeles area.
12.8%	2.62%	2.90	1.28	0.75(2)	31	None	Dividend resumption possibilities obscured by possibility of additional large tax burdens. Gross revenues in 1934 gained 10.1% over 1933, gain representing chiefly industrial load.
17.1%	3.29%	3.00	2.82	....	33	2.40	Company operates in a highly industrialized and compact territory, and enjoys excellent management. Earnings have resisted effect of gradually increasing expenses.
NF	NF	1.32	1.17	1.22(2)	16	1.50	Current earnings rate lower than dividend rate, indicates possibility of a downward adjustment. The nearer term outlook, however, is moderately favorable.
NF	NF	7.15 on $7 Prior Pref.	4.60 on $7 Prior Pref.	....	4	None	Pyramided holding company structure with large but scattered groups of properties. The net in 1934 declined to point where $7 prior preference dividend was only partly covered.
NF	NF	5.04 on 1st Pfd.	1.61 on 2nd Pfd.	1.65 on 2nd Pfd.(3)	2	None	Industrial as well as general recovery in the Southwest has led to rapid recovery in earnings, but these have not yet reached the point where anything is available on the common. Arrears on 1st preferred amounted to $16.38 on Mar. 31, 1935.
12.0%	1.95%	1.24	1.19	1.17(2)	13	1.00	A soundly intrenched holding company, with able management and sound finances. Net earnings resisting influences of higher expenses, and still provide a reasonable margin over dividend requirements on the common.
15.3%	1.87%	2.52 on Pfd.	1.64 on Pfd.	1.28 on Pfd.(2)	1	None	Both the parent company and the operating subsidiaries have effected considerable improvement in financial conditions. Heavy senior capitalization makes junior securities particularly susceptible to conditions affecting utility operations.
13.8%	2.06%	2.43 on Pfd.	2.53 on Pfd.(1)	....	1½	None	This system's extensive holdings of utility properties in Great Britain lend speculative possibilities to the Preferred and Cl. A stock. The heavy capitalization, however, is a severe handicap.

graph Companies

Earned per Share of Common 1932	Earned per Share of Common 1933	Earned per Share of Common 1934	Earned per Share of Common Latest 1935	Recent Price of Common	Common Dividend	COMMENT
5.96	5.38	5.96	5.80(2)	121	9.00	Telephone installations have been gaining gradually over the past year and one-half. Consolidated earnings affected by continued large losses in Western Electric Co., manufacturing subsidiary. Strong financial position.
def. 0.61	0.11	0.32	....	8	None	Encouraging gains in telephone installations abroad. Would have shown 80 cents a share earned if losses of Postal Telegraph and Cuban Telephone Co. were eliminated.
def. 0.81	4.17	2.14	1.77(2)	30	None	First quarter 1935 showed sharp drop from 1934 period—16 cents net per share against 53 cents. Gross earnings off moderately, but expenses, especially wage bill still up. An issue of $15,000,000—6½% bonds matures July, 1936.

ing and Investment Companies

Earned per Share Common 1933	Earned per Share Common 1934	Earned per Share Common Latest 1935	Recent Price of Common	Common Dividend	COMMENT
0.01	0.12	....	3	0.40	About 42% market value of portfolio consists of North American common stock; the remainder a diversified list. 1934 year end liquidation value per share of Cl. A stock was $90.51 and on Cl. B $1.88 a share.
2.00 on 1st Pfd.	1.29 on 1st Pfd.	0.56 on 1st Pfd. Jan. 1 to Apr. 20	1¼	None	Had over $11,000,000 cash or U. S. Govt. securities, or about 40% of market value of assets April 20, 1935. Investments chiefly in utility securities. About $112 market value of assets per share 1st Preferred. Common stock chiefly a leverage proposition.
Bond int. covered 0.66x	Bond int. covered 0.42x	....	⅝	None	Chief holdings consist of North American common, Am. Cities Power & Lt. Cl. B stock, and Electric Shareholdings common. No liquidating value left for pfds. or common—equal to about $500 per $1,000 bond.
0.44	0.21	....	8	None	Investment in Am. & Foreign Power is largest stake of company, but also has majority of El. Power & Lt. common as well as dominating interest in United Gas, Am. P. & Lt. and Nat'l P. & Lt. Tremendous leverage for common if holding companies are permitted to survive.
0.06 on Pfd.	def. 0.30 on Pfd.	....	½	None	Chief stake is mostly in junior securities of Associated Gas & Electric, by which it is controlled. Also owns some operating property. Outlook depends chiefly on future of Associated Gas & Electric.
def. 0.04	0.04	....	5	None	Chief investment is in Engineers Public Service, of which about 91% of common stock is owned, and over 94% of stock of Sierra Pacific Electric Co. General utility outlook dominates future of company.
0.24	0.17	....	3	None	Financial position strengthened during 1934 by complete elimination of $5,000,000 bank loans. Current liquidating value of portfolio only slightly above nominal par ($50) on preferred.

(d)—Deficit.
(e)—Excludes English properties.
(§)—Applicable earnings.
(m)—Market value Dec. 31, 1934.
(g)—Investments valued at cost or book value.
NF—No figures available.
(x)—Times Earned.

Market Indicators

For Profit

St. Paul Proposes Recapitalization

Of more than passing interest to the thousands of holders of the securities of the Chicago, Milwaukee, St. Paul & Pacific Ry. is the proposed plan for revamping the company's capitalization. It is quite drastic, although not unnecessarily so, for a great deal of money has been lost in the past few years. For 1934 the road reported a deficit of more than $7,000,000 after charges, while an additional $5,500,000 was lost in the first three months of the current year. The plan calls for giving holders of the present common stock one share of common for each three shares held; for giving holders of the preferred one share of common for each share of preferred; for giving holders of the adjustment bonds preferred stock of equal par value; for giving holders of the 50-year 5% mortgage bonds income bonds of equal par value; while holders of the general mortgage bonds will be undisturbed, except that they will receive only two-thirds of the interest due them on a fixed basis, the other third being dependent upon earnings. Certain sectional underlying bonds would not be disturbed in any way. A reduction in capitalization, of course, is always unfortunate but when, as in this case, there appears not the remotest likelihood of the property's earnings being able to support the existing set up, reduction is the only course.

Currency—Modern Style

The London Times reports an amusing little incident which illustrates perfectly the confusion which exists in the minds of most of us over the business of abandoning gold. It seems that there was an old native of Natal who had run afoul of the law in some minor way. Haled before the court, she was fined ten shillings. After the usual violent protests, the old lady tendered in liquidation thereof, a gold sovereign, or twenty shillings as she had been taught for years to figure it. Her ten-shilling fine was settled and, in addition, she was given change of more than twenty-two shillings with a courteous smile. She still thinks there's something "phoney" about the whole business, and we think maybe she's right.

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* * *

Fears That Proved Unfounded

Perhaps the principal opposition to the Securities Act of 1933 on the part of the financial world was founded in fear that anyone who had anything to do with an issue in an official capacity would find himself deluged with civil suits for damages based upon some trivial mistatement or omission in the registration form. Though one admits that new issues have not been too plentiful over the past two years, nevertheless a fair number have been floated and it is a significant fact that civil suits against issuers, underwriters, dealers or directors have been conspicuous by their almost complete absence. This is most constructive and undoubtedly has played a part in the accelerated issuance of new securities which has been seen recently; it will be surprising if the movement does not gather still greater momentum from this point.

* * *

High-Priced Meat Brings Boycott

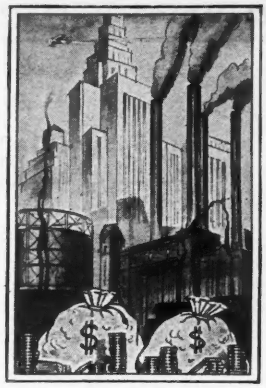
"When meat prices rise packers make money" has been a saying almost invariably true in the past. It worked out in 1933 and 1934, following a long period of declining prices during which the packing industry as a whole sustained enormous losses. It seems now, however, that the combined influence of the drought and the Government's slaughtering programs have rather over-reached themselves in bringing about rising quotations. In New York, housewives are campaigning for 24-cent a pound meat, a reduction of 10 cents from current levels. Stores are being picketed and it is reported that three or four thousand have been closed, or were doing no business if open. The big packers, Swift, Armour, Cudahy and Wilson report but once a year, at the end of October, so that there are no concrete figures as to how they have been doing recently. It is believed, however, that so far in their current fiscal year profits have been reasonably well sustained because the rise in prices has offset the loss in volume. Nevertheless, if what is happening in New York spreads to the meat-consuming public throughout the country, the packing industry is going to spend some unpleasant months.

* * *

Tool Business Better

Since the middle of last summer a steady improvement has taken place in the business of those manufacturing tools, machines and instruments of many kinds. This covers, of course, an exceedingly broad field and, as most of the companies in it are specialists in a small section, their stocks are not particularly well known to the public. It might be worthwhile to become better acquainted with one or two of them. There is, for example, Cutler-Hammer, a manufacturer of all kinds of electrical control apparatus for motors, machine

The Stockholder



and Income

tools and elevators; the company manufactures rheostats, safety switches, magnetic clutches and many allied products. It has customers in more industries than one can name in this column. Following operating losses in 1931 and 1932, the company turned in a small operating profit for 1933 and a net income equivalent to 20 cents a share for 1934. No figures are available for this year so far, but sales are up substantially and profits undoubtedly are higher.

The stock of Niles-Bement-Pond is to be found on the New York Curb. The parent company's business is mainly small tools and gauges, although, through its subsidiaries, it is interested in hoists and other heavy machinery. The company earned money last year —14 cents a common share—as against a substantial loss in 1933. Northwest Engineering Co., whose stock also is on the New York Curb, manufactures shovels, cranes and other excavating and dirt moving equipment. With all the public works activities that are planned, together with the indications that are being received to the effect that private heavy construction is showing more signs of life, the company's business should register improvement over the barely profitable basis of 1934. The entire funded debt has been called for retirement July 1 of this year.

* * *

Further Advices

Both Sherwin - Williams and Loew's which were analyzed and recommended for later purchase in our issue of January 19, 1935, may in our opinion be purchased now for income and price appreciation. Currently, the business of Sherwin-Williams is understood to be in the neighborhood of a third better than in the corresponding period of 1934; it should register even greater improvement if, as is expected, the present upturn in residential construction gathers momentum. For the company's fiscal year ended last August, earnings were equivalent to $5.27 a share of common stock; the report this coming August undoubtedly will be even more gratifying. Loew's currently is doing well on better motion picture theater attendance. Earnings for the twenty-eight weeks ended March 14, 1935, were equal to $2.64 per share of common stock.

* * *

The Railroads

The first seventy odd first class railroads to report for April turned in statements which were highly gratifying to their stockholders. In the aggregate both gross revenues and net operating income were better than in the same month of last year and only slightly below the good showing of March, 1935. It may be that at last the railroads of the country are to begin the long upward climb from a point in dangerous proximity to bankruptcy. Certain it is at any rate that the Supreme Court's invalidation of the N R A codes will aid them. It has been estimated that these codes cost the roads between $100,000,000 and $200,000,000 annually. The reduction in this additional expense will not, of course, be felt immediately, but over a period of months the railroads undoubtedly will have important cause to thank the Supreme Court for its performance May 27, 1935.

* * *

Aircraft

Until the pending legislation on air transportation is out of the way, or in any event until it takes more definite shape, a non-commital attitude towards the stocks of companies in this section of the industry appears to be the better part of valor. However, it is to be noted that air traffic is up and that there seems to be a disposition on the part of Washington to deal less harshly with the business, if only because an aircraft industry active and prosperous in all its branches is a national asset, outweighing minor considerations of political expediency or a wasted dollar or two of government money. Less obscure is the outlook for airplane builders; the prospect for army and navy orders is good, while real governmental efforts are being made to sponsor the development of an inexpensive, fool-proof plane for general public use. Among the companies which might be considered there is Boeing Airplane, manufacturer of army, navy and commercial planes, no motors, but other instruments and accessories; Consolidated Aircraft on the New York Curb, whose principal activities

(*Please turn to page* 210)

Coming Dividend Meetings

Company	Approx. Date	Probable Action (on the common)
Air Reduction	June 12	More than regular 75 cents.
Am. Brake Shoe & Fdry	June 11	More than regular 20 cents.
Brooklyn-Manhattan Transit	June 17	Usual 75 cents.
Cream of Wheat	June 12	More than regular 50 cents.
Cudahy Packing	June 20	Regular 62½ cents.
Glen Alden Coal	June 18	Regular 25 cents and extra.
Howe Sound	June 11	Regular 75 cents.
Magma Copper	June 12	Usual 50 cents.
National Cash Register	June 18	Usual 12½ cents.
Otis Elevator	June 12	Regular 15 cents.
Pacific Gas & Electric	June 12	Less than regular 37½ cents.
United Fruit	June 10	More than usual 75 cents.
United Shoe Machinery	June 12	More than regular 62½ cents.
Westinghouse Air Brake	June 14	Regular 12½ cents.

Should Benefit From Broadening Demand

Prospects Brighter for Leading Manufacturer of Portland Cement

By Edwin A. Barnes

A LEADING company in a depressed industry—but one which is looking hopefully toward the future. A company with an extended record of profitable operations, marred only by the severe depression in the heavy industries, and nothwithstanding the great excess of capacity in the cement industry and the menace of foreign competition. Thus, might International Cement be superficially described at the present time. With a record that has been better than that for the industry as a whole, the company must be credited in full for an outstanding achievement, from which nothing can be detracted by the fact that it was favored by special circumstances, for these circumstances were of its own making. To more fully understand and evaluate the position of International Cement, the background of the cement industry itself reveals much that is significant.

Highlights of International Cement

Number of Plants		14
Annual Capacity		24,000,000 bbls.
Funded Debt		$17,995,500
Capital Stock		636,978 shs.
Current Assets		$12,990,308
Current Liabilities		$1,279,528
Working Capital		$11,710,780
Earned Per Share	1932	d$2.25
"	1933	d-0.16
"	1934	1.04
"	1935*	0.18
Dividend		1.00
Recent Quotation		30

* 1st quarter. d-deficit.

Consumption and Productive Capacity

Not unlike other leading industries in the United States today, the cement industry grew to maturity during the decade preceding the depression. In 1890 the total production of cement amounted to less than 400,000 barrels, but as prejudice against cement as a suitable material for construction was overcome by its manifest advantages, production rose steadily and by 1910 cement had definitely established its position as a staple commodity. Production in the latter year was 76,500,000 barrels and by 1929 it had practically doubled again, with the total output in that year reaching the impressive figure of 169,000,000 barrels. During this period some 100,000 miles of concrete roads were built, in the construction of which about 3,000 barrels of cement were used for every mile of a two-lane highway.

Yet during this period of increasing consumption, at no time was the industry's full productive capacity utilized. At the present time there are six major producers of cement in the United States and more than four score of smaller companies, whose activities are largely localized. It is particularly noteworthy that the productive facilities of the industry have grown beyond any demand ever made upon their capacity, despite the fact that to become a cement manufacturer requires a tremendous investment in plant and machinery. Perhaps the answer, partly at least, lies in the fact that cement making is a protected industry—protected against foreign invasion by a tariff of 23 cents a barrel. As far back as 1890, cement was protected by a tariff of 30 cents a barrel and during the period from 1913 to 1930 there was no tariff at all. The years, however, when foreign cement had free rein were the years when demand climbed steadily higher and a good portion of the industry was able to thrive. With rising demand, on the one hand to encourage enlarged productive facilities and with a protective tariff, on the other, assisting the marginal companies through the years of depression, there has been little or no alteration in the ability of the industry to produce much more cement than is likely to be needed for some time.

Uniform Price and Product

Thus, while the cement industry has more than its share of intensive competition, cement has certain characteristics, peculiar to itself, which act to prevent this competition from too seriously handicapping the industry. In the first place, because of the rigid standards enforced by the Portland Cement Association, there is for all practical purposes no difference between the cement manufactured by one company and that of another. Under the circumstances, no advantages can be claimed for the product of any particular company—or at least no advantage which would permit the maker to seek and obtain a premium price for his product.

Whatever advantage a cement manufacturer can hope to gain will depend

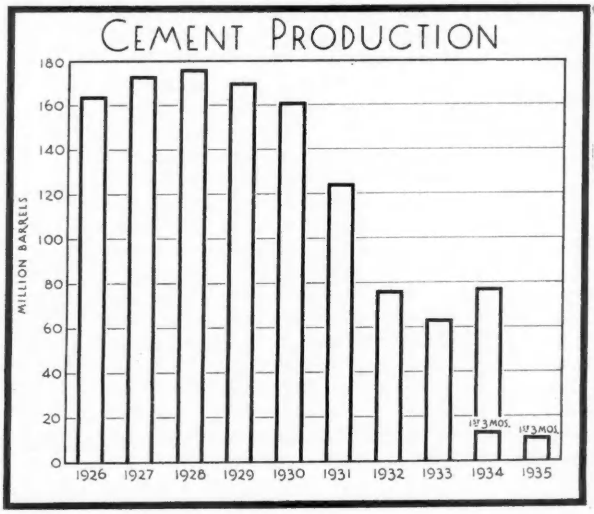
upon his manufacturing costs and, of equal importance, the proximity of his plants to the markets in which he seeks to dispose of his output. This latter factor has been particularly helpful to International Cement, as will later be seen.

Freight Costs and Fixed Charges High

The cost of transporting cement is high in relation to its actual manufacturing cost. Freight charges on cement average more than one-fourth of its value and they may be as high as one-third and even one-half. With nothing to choose between the quality of one brand of cement and another, the purchaser will buy the one that costs him the least. For this reason all cement in New York City, for example, sells at the same price. Should one manufacturer offer cement below the market, he would either get all of the business or other manufacturers would have to meet his price, regardless of whether it cost them 40 cents a barrel or 50 cents a barrel to ship cement from their plants into New York City. This situation prevails all over the country and to meet it, it is obvious that the manufacturer with the lower manufacturing costs and, a strategic location of plants in relation to the principal markets, will have an important competitive advantage.

The actual manufacturing cost of a barrel of cement is not known, but it is virtually certain that fixed charges per barrel are greater than the operating cost. Labor is not an important item in cement making; raw materials are plentiful; and the whole process is comparatively simple — simple, but extremely cumbersome. It has been estimated that it requires an investment in plant and equipment of roughly $2.50 a barrel of annual capacity. Consider this in relation to the fact that the industry has never utilized its full capacity, and the present price of around $2.15 a barrel (plus freight) for cement in New York City.

This large investment in plant levies heavily upon earnings for fixed charges, such as depreciation and interest, and these items must be met year in and year out, regardless of sales. Further, it costs more to maintain an idle plant than an active one and in the late years of declining consumption the desire to avoid the expense of idle equipment has compelled many manufacturers to meet competition by selling their output below cost.



Thus, in more respects than one the cement industry is heavily armed with the ammunition of a costly price war. Since 1932, however, when a drastic price war brought large deficits, the industry has maintained peaceful stabilization, despite the fact that the cement code makes no provision for price-fixing.

It is against this industrial background, that International Cement has attained its prominence and achieved for itself a financial record distinctly better than that of its principal competitors and the industry, as a whole.

Including its foreign properties, International Cement is the second largest unit in the industry, being outranked only by Universal Atlas, controlled by the United States Steel Corp. On a strictly domestic basis, International would be outranked by both Universal Atlas and Lehigh Portland Cement. In all International, in its capacity of a holding company, has stock ownership in fourteen plants with an aggregate capacity of 24,000,000 barrels of cement annually. These plants are located in New York, Kansas, Texas (2), Virginia, Pennsylvania, Louisiana, Indiana, Alabama (2), Cuba, Uruguay, Argentine and Brazil.

It is not, however, from its size that International derives its strength, but from this wide diversification of manufacturing facilities. It is the only U. S. cement company with foreign subsidiaries and during the past several years its various South American properties have been much more prosperous than those in the United States. Last year, for example, all of the company's plants operated at an average of 36% of capacity, but the average for foreign plants was 52.3% as compared with 30.8% for domestic subsidiaries. The choice of domestic properties, however, has been wisely made and give to the company desirable competitive advantages. In competing for the New Orleans market, for instance, International is the only manufacturer with a plant in Louisiana, the nearest competing plant being some 300 miles away in Birmingham, Ala. Some cement is shipped into New Orleans by competitors, but the proximity of the International plant places it in a position to set the price of cement in New Orleans and the freight differential assures the company a wider margin of profit than its competitors.

Company's Capacity and Capitalization

The company's present capacity of 24,000,000 barrels compares with 2,800,000 barrels in 1919. About one-quarter of this output is accounted for by Cuban and South American plants. Each year from 1919 to 1930, inclusive, witnessed an increase in the company's capacity; from 1924 to 1925 capacity increased 5,000,000 barrels and from 1927 to 1928 there was a gain of 3,800,000 barrels. Since 1930, however, there have been no additions to the company's producing facilities.

In 1928, International sold $18,000,000 in 5% debentures and $3,500,000 in common stock, the proceeds of which were used to purchase two additional plants and retire about $10,000,000 in preferred stock. At the present time funded debt stands at $17,995,500 and there are about 637,000 shares of common stock outstanding.

The point has already been made that the cement industry requires an unusually heavy investment in plant and machinery, with a consequent heavy drain on earnings for interest and depreciation. It is interesting to observe this point in connection with International Cement.

The company values its properties in the balance sheet at some $64,000,000, against which there are depreciation, depletion and other property reserves of around $28,500,000. In 1934, the company's sales totalled $13,648,881. Thus the company had invested in plant and properties about $4.60 for each $1 of sales; in 1933 the ratio of plant investment to sales was

(*Please turn to page* 214)

Sound Stocks With Price Appreciation Prospects

Selected Also from the Standpoint of Inflation Protection

By The Magazine of Wall Street Staff

Crane Co.

Tracing its origin back to 1855, the Crane Co. has long been a growing and prosperous organization. Operations had always produced a profit until 1931 when the company suffered the first loss in its corporate history. The real test of corporate strength, however, lies not so much in the ability of a company to avoid losses as in its ability to take them in its stride and weather a period of business adversity. This, Crane Co. has been able to do in commendable fashion.

Earnings Per Share			
1934	1933	Recent Price	Div.
\$7.00*	d\$1.23	\$12	None

*Earned on Preferred Stock.

At the end of 1931, the year in which the company's operations showed a loss of \$6,149,329 and inventory values shrunk \$1,836,000, the company was well prepared for the lean years which were destined to follow. Current assets were more than 10 times the amount of current liabilities and cash and marketable securities alone amounted to around \$9,500,000, as compared with current liabilities of \$4,300,000. Despite the fact that losses in 1932 were nearly as large as 1931, and 1933 resulted in a loss of nearly \$2,000,000, the company suffered virtually no impairment of its financial position. With a profit of some \$1,000,000 last year, the ratio of current assets to current liabilities stood at 8.79 to 1, with cash and securities of about \$10,300,000 and current liabilities of only slightly more than \$4,000,000.

With a long record of profitable operations to its credit, the fact that Crane was unable to escape the most recent depression was not due to any change in its former policies or a loss of competitive advantage. It was simply that the company's activities are most prominent in those fields which were compelled to bear the brunt of the depression—building construction and the heavy industries.

To the average person Crane Co. doubtless identifies itself as a maker of plumbing and sanitary supplies. This, however, only partially describes the company's scope and, as a matter of fact, accounts for only 20% of its normal business. Other products include valves, fittings and appliances for conveying and controlling steam, water, gas, oil and other liquids and gases; heating apparatus, pumps, tools, cast iron heating boilers and apparatus. These products are used in power houses, water works, oil fields, chemical plants, etc. Crane products are not patented, but have relied for many years upon their reputation for quality to maintain their competitive foothold.

At the present time there are definite indications that the company is well on the road toward recovery and the current year promises to substantially augment orders from sources long dormant. For example, the sharp revival in private building in the first four months this year was doubtless reflected in the business of Crane Co., and with many industrial organizations throughout the country embarking upon programs for plant rehabilitation, demand from this source should be considerably revitalized.

Ahead of the company's 2,348,628 shares of common stock are 145,889 shares of 7% preferred stock and \$10,778,000 5% notes due in 1940. Dividends were recently resumed on the preferred shares with the payment of \$1 and accumulated unpaid dividends on the senior issue aggregate something less than \$3,000,000. In any revival of the company's earnings these could be liquidated readily and without placing any undue strain on working capital. The common shares, while admittedly speculative and without early dividend prospects, commend themselves to consideration as an interesting medium for sharing in the long-deferred recovery in the heavier goods industries.

Spencer Kellogg & Sons, Inc.

Spencer Kellogg & Sons is rated as one of the leading producers of vegetable oils, and is credited with around 30% of the total production of linseed oil in the United States. Other products include oil cake and fertilizer, castor, cocoanut, chinawood, soya and foundry oils. Linseed oil, of course, is used principally in the manufacture of paint and varnish, with linoleum and printing ink manufacturers taking lesser quantities. Other products are distributed to a diversified group of industries, including food, soap, drug and manufacturers of machinery. Naturally, with the projection of the company's activities into other fields it has become less dependent upon a single product and last year linseed oil accounted for but little more than half of net profits.

Earnings Per Share				
1934*	1935*	Recent Price	Div.	Yield
\$1.02	\$1.38	\$34	\$1.60	4.6%

*24 weeks to Feb. 16.

While the company's earnings in the past have shown a tendency to fluctuate somewhat widely, rather than fol-

lowing a conventional trend, the pronounced contrast shown by last year's results with 1933 must be ascribed as abnormal. Operating income last year rose from $577,547 in 1933 to $1,739,152. Although sales increased 61% in 1934, a good part of the gain was undoubtedly contributed by the wider margin of profit obtained by the conversion of low cost inventories. Applied to the company's capital stock, profits for the fiscal year ended September 30, last, were equal to $3.01 a share as compared with 98 cents a share earned in the 1933 fiscal period. While last year's showing was considerably above the average for the years prior to the depression, the more enlarged scope of the company's present activities may be balanced against this fact in any consideration of prospective earning power from this point on.

Capital structure of Spencer Kellogg is simple, the 500,000 shares of stock comprising the entire capitalization. Some significance may be attached to the recent action of the company in obtaining authorization to increase the number of shares outstanding to 700,000, as foreshadowing the possible payment of a stock dividend. As of February 16, last, current assets were reported as being nearly $11,000,000, with more than $1,400,000 in cash, as compared with total assets of around $20,000,000 and current liabilities of $1,993,263.

Dividends are currently being paid at the rate of 40 cents quarterly and with earnings of $1.38 a share for the 24 weeks ended February 16, 1935, it is safe to assume that results for the full current year will be considerably in excess of dividends, so much so, in fact, as to give weight to the possibility of an increase in the basic rate, or a generous extra. The company is undoubtedly feeling the stimulus which has been given to the paint industry by the marked increase in private building and the sustained activity in home and building rehabilitation.

The shares are reasonably priced at levels around 35 and even in the event that earnings show a tendency to level off somewhat below the 1934 level, the shares invite favorable consideration for income and moderate price appreciation.

National Acme Co.

The shares of National Acme derive their principal appeal at this time from the definite indications of a revival in the machine tool industry. Scores of companies in every major industrial field have already announced their intention of engaging in extensive replacement programs which, aside from being encouraged by the more generally improving business prospect, have after six years of retrenchment become a virtual necessity. This development promises to find marked reflection in the earnings of representative makers of machinery and machine equipment —as, indeed, it already has.

National Acme, an old established organization, manufactures single and multiple spindle automatic screw machines, turret lathes and chucking machines. Of lesser importance, but serving to round-out and diversify its products, are such items as screw machine products, threading tools and general contract manufacturing. While the users of these products include many industries, National Acme finds its principal outlet in the automobile industry, although demand from other sources has been unduly depressed by the adverse events of the past five years. This is also true of foreign sales, which normally account for around 20% of the company's total business.

Earnings Per Share

1934*	1935*	Recent Price	Div.
$0.12	$0.07	$6	None

*First Quarter.

Reflecting the marked recovery of the automobile industry last year and the important savings effected by a consolidation of manufacturing activities in a single plant, the company was able to report the first profit since 1930. Net income for 1934 totalled $140,329, as compared with losses of $311,057 and $895,458 in 1933 and 1932 respectively. With the turn for the better in the company's earnings, financial position has been improved. Current assets of $3,021,000, at the end of last year, were more than 17 times current liabilities of $170,000, and working capital was more than sufficient to meet the proviso incorporated in the indenture of the $1,766,500 first mortgage 6's to the effect that working capital must equal 150% of the outstanding bonds before dividends can be paid on the common stock. The latter, outstanding in the amount of 500,000 shares, is the only issue of stock.

For the initial three months this year, the company reported earnings equal to 7 cents a share on the stock, as compared with 12 cents in the same months last year. Assuming, however, that the company obtains its normal share of new business which should be increasingly effective in subsequent months, results for the full year should improve upon 1934. The shares, of course, can only be endorsed upon a speculative basis, but in relation to longer term prospects prevailing quotations may well provide a profitable opportunity for commitments.

Pure Oil Co.

Last year, the Pure Oil Co. suffered the first loss in its history. At that the loss was less than $1,000,000 and the company's record in the face of the many vagaries which have characterized the oil industry is scarcely marred by the "red ink" showing for 1934. Costly price wars in the company's marketing territory were largely responsible for the loss last year and with this factor in mind, the greatly improved statistical position of the oil industry at this time acquires added significance. Gasoline prices have been rising steadily for about two months; stocks on hand are sub-normal in relation to peak consumption likely to be experienced this summer; and it is definitely possible that an advance in crude oil prices will be forthcoming in the near future. These conditions inevitably will redound to the benefit of Pure Oil.

Earnings Per Share

1933	1934	Recent Price	Div.
d$0.53	d$0.97	$8	None

d Deficit.

The company is identified prominently with all of the major phases of the oil industry. An extensive group of service stations market Purol products in the Southwest, Mid-West and Atlantic Seaboard sections, and last year the company marketed over 500,000,000 gallons of gasoline and a substantial volume of other petroleum products. In the matter of crude reserves, few companies are better situated than Pure Oil and in relation to its refining and marketing requirements, the company's reserves are reputed to be the largest in the industry. Development projects undertaken last year were highly successful and added substantially to underground reserves. Total reserves at the end of 1934 were computed at from 300,000,000 to 400,000,000 barrels and are carried on the company's books at a little more than $30,439,637. Arbitrarily allowing 50 cents a barrel for these reserves (crude is currently priced on the average of

$1 a barrel) and figured on the basis of 350,000,000 barrels in reserve, this supply of oil would, after allowing for all of the company's preferred stock, funded debt and bank loans, have a value of more than $33 a share for the common stock.

High in asset value and devoid of current earning power would broadly describe Pure Oil common stock at this time. Capitalization consists of $28,500,000 funded debt, $30,000,000 preferred stocks and 3,038,370 shares of common stock. Obviously, this is a topheavy set-up which, while imparting an important leverage factor to the common stock in a period of rising profits, the company has found it to be a decided disadvantage in a period of restricted profits. It is safe to assume, therefore, that the company has given some consideration to the possibility of taking advantage of current market conditions and low interest rates for the purpose of revising its capital structure along lines more readily supportable.

Of the $28,500,000 5½% notes outstanding, $13,000,000 are due in 1937 and the balance in 1940. The operation of a heavy sinking fund will retire $1,000,000 of each issue annually prior to maturity. Heretofore, the company has met sinking fund requirements by the purchase of the notes in the market at a discount but at the present time both issues are quoted above their call price and sinking fund requirements this year will have to be met by redemption by lot.

There are three classes of preferred stock: $13,000,000 of 8% preferred stock, $16,764,000 of 6% preferred and $236,000 of 5¼% preferred. Both the 8% and 6% issues are redeemable at $110, while the 5¼% issue is non-callable. No preferred dividends have been paid since 1933 and accumulations now total around $4,500,000.

In so far as the note issues are concerned, Pure Oil would doubtless have no difficulty in arranging a refunding operation which would effect a considerable savings in interest charges. Moreover, the company has authorized and unissued a $60,000,000 issue of preferred stock which it is free to market with a dividend as low as $5. As a conjecture, it is possible that the company may elect to retire the 8% preferred and provide for all preferred accumulations by the sale of 6% preferred shares.

Just how imminent these developments may prove to be is indeterminate. In the meantime, however, the company is in a comfortable financial position and the trade prospect is assuring. Participating in the situation through the medium of the common stock is, of course, a speculative venture, but one which appears worthy of more than passing attention, as a longer term proposition.

Reynolds Metals Co.

Reynolds Metals Co. recently achieved the distinction of being one of the first companies able and willing to raise new capital after an extended dearth of this type of financing. The company sold a $5,000,000 issue of 5½% preferred stock, the proceeds of which will be employed in financing several new ventures which the company has undertaken. Quoting the company's president, "We have a number of new developments which might surpass the volume of our metallic foil business. One of three new products alone could possibly require as much capital as we are now raising."

Earnings Per Share 1933	1934	Recent Price	Div.	Yield
$1.51	$1.71	$21	$1.00	4.4%

This official reference to new products doubtless embodies, in part at least, the recent extension of the company's activities into the manufacture of building materials. Of these, the principal item at this time is an aluminum foil insulation, which because of its shiny finish reduces the transfer of heat by radiation. The company has also developed a new type of sheathing insluation for pipes, as well as a wall-paper with insulating properties. Further, the company is understood to be investigating the adaptability of a foil-covered metal in house construction, which would be fireproof as well as insulating. Two of the company's subsidiaries engage in the manufacture of various types of temperature control equipment.

These are all new developments which may in time change the basic nature of the company's business which is the manufacture and sale of foil, used principally for packaging purposes. The tobacco industry, particularly the cigarette makers, is the principal customer, while other outlets include the liquor industry, candy makers and other food products. Formerly dependent largely upon the tobacco industry, business from this source, with the development of new products has dropped to 30% of gross.

The new preferred stock, a small amount of mortgages and 960,322 shares of common stock make up the capital structure of Reynolds Metals. More than half of the common stock is owned by the U. S. Foil Co. Last year, the company earned for its common stock an amount equal to $1.71 a share, comparing with $1.51 in 1933. Actually per-share earnings do not reflect fully the extent of earnings recuperation last year for the reported results are after unusually heavy expenditures for development and plant. As a matter of fact the company has operated profitably right through the recent lean years and even at the low point of 1932, profits equal to $1.13 a share for the common, were sufficient to cover the present $1 dividend.

Already enjoying an established foothold in its particular field, to a point which has permitted it to record consistent profits in good times and bad, Reynolds is now looking forward hopefully to new and larger fields. Pioneering new ideas and products the company may well garner substantial rewards in the future. Its entry into the building field has been well timed for the building industry not only appears on the verge of an important revival, but it has shown an increasing disposition to experiment with new conceptions of building construction and new materials. There is no way to measure the potentialities of these new ventures which Reynolds has undertaken but their speculative promise is undeniable. In the meantime the shares are reasonably quoted and return a fair yield. The obvious need for working capital, however, may tend to postpone an early increase in the present dividend.

Amerada Corp.

Differing from the majority of leading companies in the oil industry, which during the past decade have enlarged the scope of their activities to embrace every phase of the industry from production to the operation of service stations, Amerada Corp., has steadfastly remained exclusively a producer of crude oil and casinghead gasoline. That this has been a sound and advantageous policy is indicated by the fact that the company has paid its stockholders dividends at the rate of $2 annually without interruption since 1926. The company's record in this respect is the more noteworthy when the many problems and difficulties with which the industry has had to cope during this period are recalled.

At the end of last year, Amerada Corp., owned full or partial interests

(Please turn to page 217)

Taking the Pulse of Business

—*Industry Strives to Avoid Price Cutting*

—*Labor Difficulties Cloud Outlook*

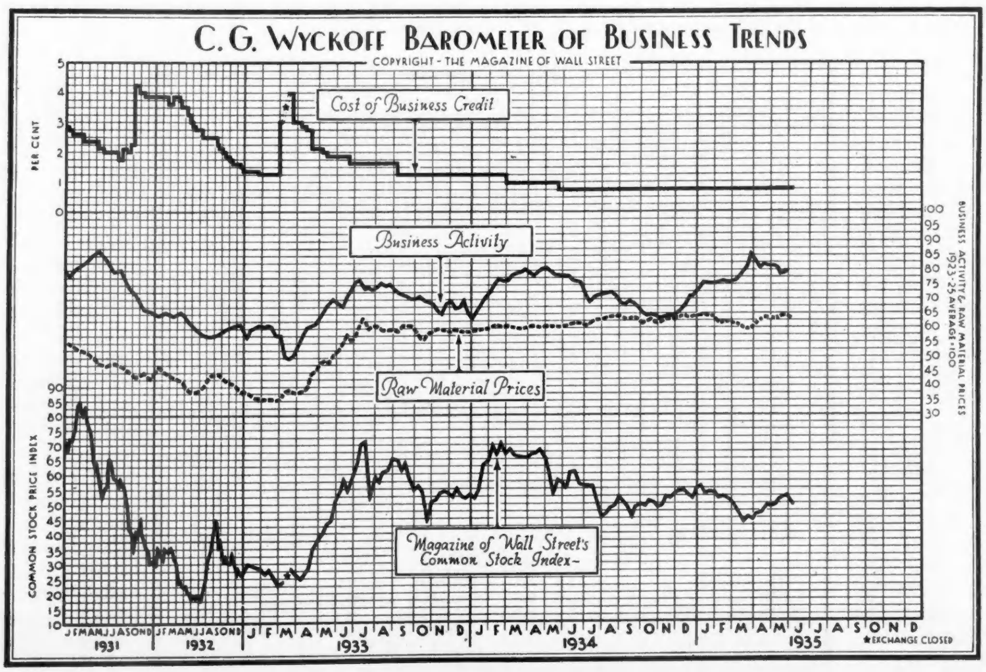
—*Real Estate More Active*

—*Railroads Improve Slightly*

BUSINESS activity throughout the country since our last issue has been much unsettled by labor unrest. Threats of a strike in the soft coal industry when the extended wage agreement expires on June 16 have stimulated renewed expansion in output, despite the circumstance that stocks on hand are already excessive, and this has tended to sustain car loadings. On the other hand, strikes in the automobile industry and at West Coast lumber plants were responsible for a sharp drop in automobile production and for a marked falling off in lumber shipments. Changes in other component items are of minor character, and the net effect of these three disturbances has been a decline in our Business Activity index to 78.7% of the 1923-5 average, which represents a recession of nearly seven points from the year's peak of 85.6% reached during the closing week of March. The cost to the entire country of strikes in major industries may be gathered from the fact that each drop of a full point in our Business Activity index, at the present general price level, means a weekly reduction of about $12,000,000 in the national income. During the month of April, which witnessed only sporadic strikes of minor character, the country's physical volume of business averaged only a shade lower than in March, and was about 2½% ahead of last year.

Agricultural districts continue to be the sustaining influence in retail trade. The Department of Agriculture's index of farm real estate values has risen to 79% of the pre-war average. Elsewhere unseasonably cold weather, strikes, expenditures for automobiles and the mounting cost of food and rents have retarded sales. This is typified in the current consumers' strike against higher meat prices, which has closed so many meat shops in New York City. Also department stores in the New York Metropolitan area report a 2% decline in dollar sales for the first half of May, compared with the corresponding period a year ago. As bearing upon consumer purchasing power it is worth noting that, while factory employment in April was only a trifle better than a year ago, factory payrolls showed an increase of about 5%. In the durable goods industries payrolls were the largest in four years.

Encouraging evidence of the apparently spontaneous revival in demand for capital goods is to be found in recently released reports for April which disclose an expansion of 40% in machine tool orders over last year and a gain of 65% in building permits. Permits for residential construction jumped 123%. As in former periods of recovery, the initial expansion in capital goods is being largely financed out of idle liquid resources without resort to flotation of securities. This observation should tend to lessen the disappointment that might otherwise arise from an analysis of the figures on new security flotations for April which, while revealing a gain of more than 300% in the volume of refunding operations, discloses a drop of nearly 40% in the amount of new capital raised, as compared with the previous April.



In spite of recent predictions by eminent economists that inflation resulting from bank credit expansion will soon get under way, the recent price trend remains decidedly mixed. High grade bonds continue their moderate recovery under the influence of an extremely low Cost of Business Credit; but groups which enter into the composition of our Common Stock Index have displayed numerous cross currents in reflection of varying estimates as to the effect upon individual industries of voiding the N R A. Retail prices of dry goods and home furnishings are nearly 4% lower than a year ago; but a net advance of over 6% has taken place in the cost of living, owing chiefly to a 16% rise in food and an 8% gain in rents.

The Trend of Major Industries

STEEL—Uncertainties as to maintenance of the present price schedule and the fate of the basing point system of quotations, now that the code has been voided by the U. S. Supreme Court, have led to withholding of orders for all but immediate needs, and the steel ingot rate has receded to the lowest point of the year. Steel executives are disposed to continue code practices on a voluntary basis; but fears have been expressed that price fixing may henceforth be banned under the anti-trust laws. In any event prospects for the next month or two are none too rosy in view of tapering requirements from the automobile, refrigerator and other seasonal lines which have passed the seasonal peak. Sources of demand which offer the best promise of early expansion are agriculture and Federal-financed construction.

METALS—Voidance of the copper code caused heavy selling of copper futures on fears that offerings of what had been "blue eagle" copper might depress spot prices. The Copper Institute, however, has decided to continue its code on a voluntary basis and, in view of the heavy demand abroad, it is quite possible that abandonment of a pegged price may benefit producers here by making it easier to adjust domestic quotations to rising European prices, which have recently advanced to 8.55 cents. Zinc and lead will be little affected directly by the Supreme Court's decision; since the codes for those industries were mainly concerned with labor conditions. In fact, price advances announced prior to the decision are still in force at present writing. Tin prices, of course, are made abroad except as affected by fluctuations in sterling exchange rates; while silver prices, which have been somewhat reactionary since our last issue, hinge upon the Treasury's buying policy.

PETROLEUM—Officials of major oil companies contemplate no change, at present, in wages or hours of labor, and believe that output control can be continued without the code under state laws, the interstate compact which awaits only the approval of Congress, and the amended Connally law prohibiting interstate shipment of "hot" oil. There is some fear, however, of unsettlement in marketing conditions, in which connection it will be noted that crude output during the past fortnight exceeded the Federal allowable by a daily average of 67,000 barrels.

UTILITIES—While many of the utilities have already expressed a determination to maintain present wage scales, abolition of the codes in other industries may eventually result in lower cost of coal and other materials and supplies; for which more than $334,000,000 were expended last year. The N R A decision, following upon David E. Lilienthal's admission that T V A could not compete with private distributors of electric power if books of the Government's pet "yard stick" were kept properly, has encouraged hopes that the sharpest teeth may be extracted from the Rayburn Bill before it is passed and that Congress may place obstacles in the path of Government competition. Telephone and telegraph companies are still operating under the President's blank labor agreement and plan no changes in wages; so that the demise of N R A will affect their profits only in so far as it may stimulate or impair general business activity throughout the nation.

RAILROADS—Investors in rail securities have derived cheer from three sources within the past two months—first came the increase of $85,000,000 in freight revenue; next was the Supreme Court's invalidation of the Railroad Retirement Act, which saved the carriers $60,000,000 yearly; and now extinction of the industrial codes which may save the roads many more millions eventually by way of lower prices for coal and other materials and supplies. Meanwhile, the first 65 roads to report for April disclose that a rise of only 3.9% in gross revenues over last year was translated into a gain of 9.1% in net operating income.

Conclusion

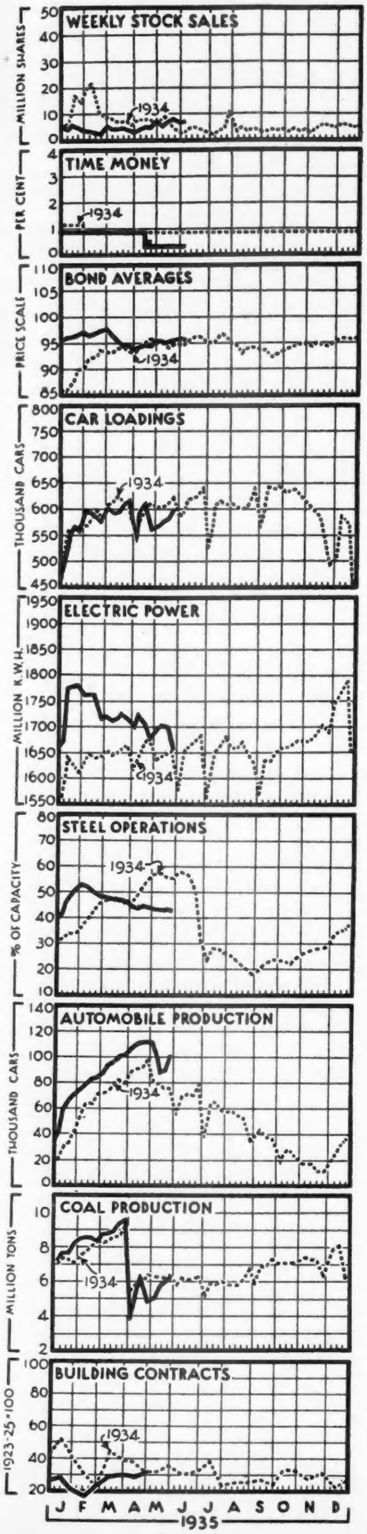
While business prospects for the remainder of the second quarter are clouded by the possibility of serious labor trouble in the soft coal fields and by uncertainty as to the fate of "gold bloc" currencies, the present incipient revival in the capital goods industries, conjoined with expanding work relief expenditures by the Government, augur well for the second half year. Resumption of the business recovery this autumn, however, would seem to hinge in some measure upon the degree of success attendant upon efforts of private industry to avoid a renewal of the old vicious spiral of competitive price cutting and wage reductions now that the codes have been declared unconstitutional. Another possible source of deflation would be a fresh decline in sterling in event of devaluation of the franc.

Changes in Major Commodity Price Group for the Week Ended May 18, 1935

Farm Products	up	0.1	Metals	up	0.1
Foods	down	0.8	Building materials	up	0.1
Hides and leather	up	0.3	Chemicals	up	0.1
Textiles	up	0.1	Housefurnishings	no change	
Fuel and lighting	down	0.2	Miscellaneous	up	0.1

The Magazine of Wall Street's Indicators

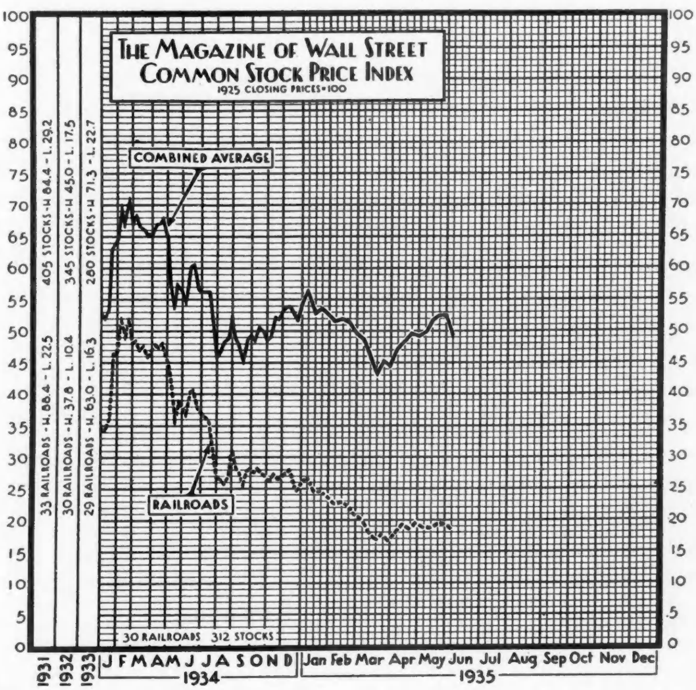
Business Indexes



Common Stock Prices Index

1934 Indexes High	1934 Indexes Low	1934 Indexes Close	Number of Issues	(1925 Close—100)	1935 Indexes High	1935 Indexes Low	May 18	May 25	June 1
71.2	45.0	54.6	288	COMBINED AVERAGE...	56.4	43.0	52.3	52.5	49.1
105.7	44.2	87.0	5	Agricultural Implements....	88.1	64.1	74.8	77.0	64.1x
42.3	20.2	27.1	6	Amusements..............	27.1	17.8	23.5	23.4	22.8
58.9	35.2	55.5	13	Automobile Accessories....	58.7	44.6	58.7h	58.7	53.6
24.9	11.8	14.2	13	Automobiles...............	16.8	8.8	10.0	9.6	8.8
92.5	43.6	60.1	5	Aviation (1927 Cl.—100)....	60.1	41.3	54.4	52.4	48.3
17.4	8.7	9.2	3	Baking (1926 Cl.—100).....	9.8	7.9	9.8h	9.6	8.8
240.9	153.6	191.8	2	Bottles & Cks. (1932—100)..	230.6	184.8	224.0	230.6h	218.7
136.0	100.0	131.6	4	Business Machines.........	133.4	113.7	128.9	128.9	120.3
229.5	178.9	227.5	2	Cans.....................	263.4	226.1	258.0	263.4H	253.9
210.5	134.3	167.2	8	Chemicals.................	172.2	144.6	168.0	172.2h	159.3
37.2	22.1	28.8	16	Construction..............	31.4	22.6	29.6	29.7	26.3
70.1	40.1	43.8	5	Copper....................	56.0	35.7	55.1	56.0h	48.8
37.0	25.7	32.0	2	Dairy Products............	33.1	27.5	30.4	30.1	29.3
26.8	16.4	21.2	8	Department Stores.........	22.7	16.0	16.7	16.9	16.3
84.2	56.0	73.1	7	Drugs & Toilet Articles.....	73.1	57.1	60.9	58.8	57.3
91.3	59.1	78.7	3	Electric Apparatus.........	93.4	70.1	93.2	93.4h	86.2
211.2	103.8	211.2	2	Finance Companies.........	243.6	211.2	236.6	243.6H	231.5
64.0	51.1	58.3	7	Food Brands..............	59.3	51.8	53.7	54.2	52.3
71.1	55.1	55.7	4	Food Stores..............	56.4	46.5	49.9	49.3	48.9
58.8	36.2	45.4	3	Furniture & Floor Coverings	45.4	32.1	39.9	39.7	37.0
1372.0	1106.0	1164.9	3	Gold Mining..............	1209.7	1062.4	1209.7h	1168.4	1175.4
35.6	25.1	35.6	5	Household Equipment.....	38.1	35.3	36.9	37.7	35.8
31.8	19.3	20.8	4	Investment Trusts.........	23.2	17.0	22.2	23.2h	21.0
295.5	164.0	247.0	3	Liquor (1932 Cl.—100).....	273.9	223.6	235.2	243.1	223.6x
53.4	34.2	44.2	2	Mail Order...............	44.7	36.0	41.3	41.7	38.9
88.6	51.9	62.0	3	Meat Packing.............	62.2	34.5	41.9	41.3	36.1
160.1	117.4	127.8	11	Metal Mining & Smelting..	147.4	109.4	144.6	147.4h	137.1
86.8	52.0	58.2	23	Petroleum................	70.3	51.3	70.2	70.3h	62.6
25.0	15.2	21.0	3	Phonos. & Radio (1927-100)	21.0	15.9	18.3	17.7	17.0
72.8	32.1	34.8	18	Public Utilities...........	38.3	23.0	35.2	34.2	38.3h
66.2	34.9	43.9	8	Railroad Equipment.......	43.9	29.3	33.8	34.0	32.5
52.0	24.5	25.8	25	Railroads................	26.7	17.5	19.3	19.2	18.5
15.9	6.0	8.8	3	Realty...................	8.9	5.2	7.3	7.9	6.4
50.2	28.9	41.6	3	Shipbuilding.............	43.4	28.5	35.5	40.1	35.3
77.0	42.0	54.4	10	Steel & Iron.............	57.4	37.6	46.2	47.0	41.6
31.3	20.4	22.2	5	Sugar....................	30.4	21.1	28.5	30.4h	25.2
214.0	131.5	143.2	2	Sulphur..................	150.3	122.5	138.6	150.3h	138.7
70.3	40.2	45.2	3	Telephone & Telegraph....	45.5	34.2	44.9	44.0	43.4
65.8	37.5	47.8	8	Textiles.................	50.4	34.7	42.5	42.8	37.6
14.6	7.6	9.0	5	Tires & Rubber...........	9.3	6.0	7.2	7.3	6.4
88.6	66.5	84.7	4	Tobacco..................	87.6	77.2	85.5	87.1	84.8
73.5	43.5	65.0	3	Traction.................	66.8	51.0	57.4	57.2	59.2
275.5	43.6	258.2	3	Variety Stores............	258.2	219.7	246.7	249.2	236.8

h—New HIGH this year. x—New LOW this year. H—New HIGH record since 1931.



(An unweighted index of weekly closing prices; compensated for stock dividends, splitups, and rights, and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

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B. F. GOODRICH CO.

Will you be kind enough to comment on the potentialities for B. F. Goodrich common shares in the event of a sustained market upmove? For purposes of your reply, I have 150 shares averaging 14⅞.—H. F. D., Los Angeles, Calif.

Although B. F. Goodrich Co. enjoys a high degree of diversity in the rubber industry, its automobile tire division remains highly important from the standpoint of earnings. Declining demand, coupled with an over-capacity of the industry wrought havoc during the early years of the depression. Beginning in 1933, however, sales showed a pronounced improvement and prices also firmed measurably. Thus, the company was able to report a profit of over $2,000,000 for the year, against a loss in excess of $6,000,000 for 1932. Last year the company showed a profit of $2,534,679, equal to $8.61 a share on the 7% cumulative preferred stock on which no dividends have been paid since July 1, 1931. Allowing only for regular requirements on the preferred stock, these earnings were equal to 41 cents a share on the common which was the best showing since 1929 when the equivalent of $4.53 per share on the common was reported. Financially, the organization remains in good shape, although arrearages on the preferred stock must be liquidated before any consideration can be given to distributions on the common. The industry is currently entering its heavy selling season, insofar as replacements are concerned, but the outbreak of price reductions in the face of higher operating costs is decidedly disturbing and, unless soon remedied, will seriously curtail profits. In view of the indicated upward trend for practically all basic commodities, however, tire prices sooner or later doubtless will improve with a consequent increase in profit margins. In the meantime, increased automobile production and sales indicate a sizable improvement in volume sales for the tire manufacturers this year. While Goodrich, common, is obviously highly speculative, the long pull potentialities of the company indicate that the shares will participate in any sustained advance of the general list and retention of holdings is advised.

AMERICAN MACHINE & FOUNDRY CO.

I will appreciate a word from you on the "inflation prospects" for a company like American Machine & Foundry. What about its protection possibilities and its earnings?—O. S., Binghamton, N. Y.

American Machine & Foundry is not commonly considered a company whose stock would materially benefit through any of the so-called "inflation prospects." Even though various patents give this company virtual control in the field of machinery used for cigarette and cigar making, these machines are, for the most part, rented out on a royalty basis, and the income from them, therefore, is on a fixed basis. The new high-speed cigarette machines, however, are usually sold outright, and it has been reported that about 95% of all the machine-made cigarettes in this country are made with the products of this company. Earnings of the company depend very largely on the tobacco industry, and the rapid expansion of cigarette consumption over the past fifteen years has provided a growing market for cigarette-making and cigarette-packing machinery. Last year, this company reported a net income of $1,110,433 equivalent to $1.11 a share on the capital stock as compared with a net income of $949,344 or 95 cents per share in the previous year. Current assets at the year end included slightly in excess of $2,000,000 in cash and marketable securities and were reported at $3,733,320 whereas current liabilities were only $409,757. The company has a small funded debt of about $500,000 and 1,000,000 shares of stock outstanding. By and large therefore, in our opinion, as consumer purchasing power increases, earnings of this company should do better. In addition, American Machine has recently entered the chemical field through its subsidiary, the Intermetal Corp. which has perfected a patent for a chlorination method of refining refractory ores. Recognizing the possibilities for expansion in this field, this patented method

(*Please turn to page 205*)

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Dividends and Interest

New York Stock Exchange

Rails

	1933 High	1933 Low	1934 High	1934 Low	1935 High	1935 Low	Last Sale 5/29/35	Div'd $ Per Share
A								
Atchison	80⅛	34⅝	73¾	45¼	55⅝	35¾	41	†2
Atlantic Coast Line	59	16½	54¼	24½	37¼	19½	23	..
B								
Baltimore & Ohio	37⅞	8¼	34½	12¾	15	7½	10⅞	..
Bangor & Aroostook	41¾	20	46⅛	35½	43	36⅛	42¾	2.50
Brooklyn-Manhattan Transit	41¼	21¾	44⅞	28¼	44⅛	36½	39	2
C								
Canadian Pacific	20⅞	7½	18¼	10⅞	13⅜	9⅜	10½	..
Chesapeake & Ohio	49¼	24⅝	48⅝	39½	45⅜	37⅛	43⅛	2.80
C. M. & St. Paul & Pacific	11¾	1	8½	2	3	¼	⅞	..
Chicago & Northwestern	16	1¼	15	3½	5⅝	2⅝	3⅜	..
D								
Delaware & Hudson	93¾	37⅝	73½	35	43½	23½	28½	..
Delaware, Lack. & Western	46	17¼	33¾	14	19⅛	11	13½	..
E								
Erie R. R.	25¾	3¾	24⅞	9⅜	14	7⅛	8	..
G								
Great Northern Pfd	33¾	4⅝	32½	12¼	17¾	9⅝	15⅝	..
H								
Hudson & Manhattan	19	6½	12⅛	4	5½	2¾	2¾	..
I								
Illinois Central	50¾	8½	38⅞	13⅝	17¼	9½	11	..
Interborough Rapid Transit	13¾	4⅛	17½	5¼	16⅛	8¾	13½	..
K								
Kansas City Southern	24⅞	6½	19¾	6⅝	8¾	3¾	5	..
L								
Lehigh Valley	27¾	8⅝	21¼	9½	11½	5	7	..
Louisville & Nashville	67½	21¼	62½	37¾	47½	34	39¾	3
M								
Mo., Kansas & Texas	17⅛	5¾	14⅞	4⅜	6¼	2⅝	3⅜	..
N								
New York Central	58½	14	45¼	18⅜	21¾	12¼	16⅛	..
N. Y., Chic. & St. Louis	27⅝	2⅛	26⅞	9	13	6	8½	..
N. Y., N. H. & Hartford	34⅞	11⅛	24⅛	6	8½	2⅞	4¾	..
N. Y., Ontario & Western	15	7½	11⅝	4½	6	2⅝	3⅜	..
Norfolk & Western	177	111½	187	161	175	158	171	*8
Northern Pacific	34⅞	9⅝	36¼	14½	21⅞	13⅛	17	..
P								
Pennsylvania	42¼	13¾	39⅛	20⅛	25⅜	17¼	21⅜	1
Pere Marquette	37	3⅞	38	12	18⅝	9¼	12⅜	..
R								
Reading	62½	23½	56⅜	35⅛	43⅛	29⅞	31	2
S								
St. Louis-San Fran	9	⅞	4⅝	1⅛	2	⅞	1	..
Southern Pacific	38¾	11⅛	33¾	14⅞	19⅛	12¾	16½	..
Southern Railway	36	4⅛	36½	11½	16½	7⅝	9¾	..
T								
Texas & Pacific	43	15	43¼	13½	25¾	14	19	..
U								
Union Pacific	132	61¼	133⅞	90	111½	82½	96	6
W								
Western Maryland	16	4	17¼	7⅛	9⅞	5½	7½	..
Western Pacific	9½	1	8½	2⅝	3⅜	1¼	1½	..

Industrials and Miscellaneous

	1933 High	1933 Low	1934 High	1934 Low	1935 High	1935 Low	Last Sale 5/29/35	Div'd $ Per Share
A								
Adams-Millis Corp	80	60	103½	73	33½	28¼	31¼	2
Air Reduction, Inc.	112	47½	113	91¾	136½	104⅜	130	3
Alaska Juneau	33	11⅛	23⅞	16⅝	20⅛	15⅝	16⅞	*1.20
Allied Chemical & Dye	152	70¾	160¾	115⅛	152¾	125	145½	6
Allis Chalmers Mfg	26¾	6	23⅜	10⅜	20⅜	12	18½	..
Alpha Portland Cement	24	5¾	20⅛	11½	20¼	14	17⅜	1
Amerada Corp	47⅝	18½	55⅝	39	70¾	48½	64½	2
Amer. Agric. Chemical (Del.)	35	7¼	48	25¼	57¾	42	43	2
American Bank Note	28½	8	25¼	11½	27¾	13½	23¾	..
Amer. Brake Shoe & Fdy	42½	9⅛	38	19½	29⅝	21	25	*.85
American Can	100½	49½	114¾	90¼	128¾	110	123½	*5
Amer. Car & Fdy	39¾	6⅛	33⅞	12	20¼	10	14½	..
American Chicle	51¼	34	70⅝	46¼	91½	66	87	*4
American & Foreign Power	19⅝	3⅞	13¾	3⅞	5⅛	2	4	..
Amer. International Corp	15⅛	4¼	11	4¾	7½	4½	6⅞	..
Amer. Power & Light	19⅞	4	12¼	3	4⅛	1½	4	..
Amer. Radiator & S. S.	19	4⅝	17⅝	10	16⅛	10½	13½	..
Amer. Rolling Mill	31⅞	5¾	28¼	13½	24	15¾	18⅝	..
Amer. Smelting & Refining	53½	10¾	51¼	30¼	47⅛	31⅝	41¼	..
Amer. Steel Foundries	27	4⅝	26½	10⅛	18¼	12	14	..
Amer. Sugar Refining	74	21½	72	46	70½	55½	59½	2
Amer. Tel. & Tel	134¾	86½	125¼	100⅛	123¼	98⅞	121	9
Amer. Tob. B	94¾	50¾	89	67	89½	74¾	86½	5
Amer. Water Works & Elec.	43¼	10⅞	27⅝	12⅝	14⅞	7⅛	13	.80
Amer. Woolen Pfd	67½	22⅝	83¾	36	51½	35½	43	..
Anaconda Copper Mining	22⅞	5	17¾	10	18⅛	8	14¾	..
Amour Co. of Ill.	....	....	6¾	3½	6⅛	3¼	4	..
Atlantic Refining	32½	12⅜	35¼	21½	28	21⅜	25	1
Auburn Auto	84¼	31	57⅜	16½	29¾	15	18⅝	..
Aviation Corp. Del.	16⅜	5½	10¾	3¾	5⅝	3	3⅝	..
B								
Baldwin Loco. Works	17⅝	3½	16	4½	6⅝	1½	2⅝	..
Bayuk Cigar	52½	3¼	45¾	23	44⅞	37½	44⅞	*.50
Beatrice Creamery	27	7	19¾	10¼	19	15¾	16¼	‡.50

Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1933 High	1933 Low	1934 High	1934 Low	1935 High	1935 Low	Last Sale 5/23/35	Div'd $ Per Share
B								
Beech-Nut Packing	70½	45	76⅝	53	84	72	84½	*3
Bendix Aviation	21¼	6⅛	23⅞	9¾	17½	11⅞	14⅛	..
Best & Co	33⅛	9	40	26	38¾	34	36¼	2
Bethlehem Steel Corp	49¼	10⅛	49½	24⅛	34⅜	21⅝	25⅝	..
Bohn Aluminum	58½	9½	68¾	44½	59⅞	49¾	53½	3
Borden Company	37⅜	18	28¼	19⅞	25¾	21	22	1.60
Borg Warner	22¼	5½	31⅜	16⅛	39¼	28¼	36	1.50
Briggs Mfg	14⅝	2⅝	28⅜	12	31	24½	27¾	2
Bristol-Meyers	40½	25	37½	26	36¼	30⅜	31	*2.40
Burroughs Adding Machine	20⅞	6⅛	19⅜	10½	17⅜	13¼	16½	.60
Byers & Co. (A. M.)	43¼	8½	32¾	13¾	60	32	52½	..
C								
California Packing	34¾	7¾	44⅜	18¾	42½	33⅜	35⅛	1.50
Canada Dry Ginger Ale	41¼	7½	29½	12½	16⅝	8¾	10¼	.40
Case, J. L.	103½	30½	86¾	35	63	45¾	53¼	..
Caterpillar Tractor	29¾	5½	38¾	23	49⅞	36½	44¾	*1.25
Celanese Corp	58⅞	4½	44⅞	17⅛	35⅜	19½	21⅞	..
Cerro de Pasco Copper	44¾	5⅞	44½	30¼	63¾	38⅝	53⅜	2
Chesapeake Corp	52½	14⅞	48⅞	34	44⅞	36	42⅝	3
Chrysler Corp	57⅝	7¾	60⅜	29¼	49⅜	31	44	*1.25
Coca-Cola Co	105	73½	161½	95¼	209	161⅞	208	8
Colgate-Palmolive-Peet	22⅜	7	18⅛	9⅜	18¼	15⅜	16	.50
Columbian Carbon	71¼	23⅛	77¼	58	90¾	67	86¼	4
Colum. Gas & Elec	28⅛	9	19¼	6⅝	7¾	3⅜	7¼	..
Commercial Credit	19¼	4	40¼	18⅝	48½	39½	46	2
Comm. Inv. Trust	43½	18	61	35¾	66¾	56¼	63½	*2.50
Commercial Solvents	57¼	9	36¾	15¾	23⅞	17⅝	19¼	*.85
Congoleum-Nairn	27⅝	7⅜	35⅜	22	36⅜	27	34⅛	1.60
Consolidated Gas of N. Y.	64⅛	34	47⅜	18½	24⅞	15⅞	24⅛	1
Consol. Oil	15¾	5	14¼	7¼	10½	6½	8¾	..
Container Corp. "A"	10¼	1⅛	13¾	6⅛	13⅝	9½	9½	..
Continental Can, Inc	78⅜	35¼	64½	56¾	79	62¾	75½	2.40
Continental Insurance	36½	10½	36¼	23⅜	35⅛	28⅞	34½	*1.35
Continental Oil	19⅝	4⅞	22¾	15¾	23	15⅛	19⅞	‡12½
Corn Products Refining	90⅝	45⅜	84½	55½	74⅞	62	70	3
Crown Cork & Seal	65	14¼	36¼	18¾	33⅞	23½	30¾	1
Cudahy Packing	59½	20¾	52⅝	37	47½	40	40½	2.50
Cutler-Hammer, Inc	21	4¼	21½	11	22	16	19½	..
D								
Deere & Co	49	5¾	34⅛	10⅛	31	22¾	26¾	..
Diamond Match	29½	17½	28½	21	32½	26½	31⅝	*1.70
Dome Mines	39½	12	46¼	32	43½	34⅛	41¼	*4
Douglas Aircraft	18¼	10¼	28½	14¼	27¾	17½	24	..
Du Pont de Nemours	96⅜	32⅛	103⅞	80	102½	86⅝	97⅜	2.60
E								
Eastman Kodak Co	89¾	46	116½	79	149¼	110½	141	5
Electric Auto Lite	27½	10	31⅜	15	29	19½	20⅛	..
Elec. Power & Light	15⅜	3⅛	9⅝	2¼	3¼	1⅛	3	..
Electric Storage Battery	54	21	52	34	49½	39	42½	2.25
Endicott Johnson Corp	62⅞	26	63	45	132	125¾	128	3
F								
Fairbanks, Morse & Co	11¼	2½	18¾	7	25⅜	17	20	..
Firestone Tire & Rubber	31½	9⅛	25¼	13⅛	18⅛	13⅛	14	.40
First National Stores	70¾	43	69¼	53	56	45¾	51⅛	2.50
Foster Wheeler Corp	23	4½	22	8½	17½	9⅞	13¾	..
Fox Film. Cl. A	19	12	17½	8¼	16⅜	8⅝	15⅜	..
Freeport Texas Co	49⅜	16⅛	50⅜	21½	28½	17¼	26¼	1
G								
General Amer. Transpt	43¼	13¾	43⅝	30	38¼	32⅝	35	1.75
General Baking	20⅞	10½	14⅜	6½	9¼	7⅜	8	.60
General Electric	30¼	10½	25¼	16⅞	26¾	20½	24⅝	.60
General Foods	39⅞	21	36⅞	28	35⅝	32¼	34⅝	1.80
General Mills	71	35½	64½	51	66⅜	59⅞	65	3
General Motors Corp	35¾	10	42	24⅝	34¼	26⅝	30¾	1
General Railway Signal	49½	13¼	45¾	23½	30	15⅝	22¼	1
General Refractories	19¾	2½	23⅜	10⅛	21¼	16¾	19½	..
Gillette Safety Razor	20¼	7⅝	14⅞	8½	16⅝	12	14⅛	1
Glidden Co	20	3¾	28⅜	15⅝	29	23⅜	27¾	*1.30
Gold Dust Corp	27⅜	12	23	16	18	14⅜	15⅛	1.20
Goodrich Co. (B. F.)	21½	3	18	8	11⅞	7½	8¼	..
Goodyear Tire & Rubber	47½	9¼	41⅜	18½	26⅞	15¾	17⅛	..
Great Western Sugar	41⅞	7	35¼	25	32⅜	26⅝	30¾	2.40
H								
Hercules Powder Co	68⅝	15	81⅝	59	80	71	78	*3.75
Hershey Chocolate	72	35⅛	73¾	48½	81¾	73¼	79⅝	3
Hudson Motor Car	16⅜	3	24½	6⅛	12¾	6¼	7¼	..
Hupp Motor Car	7¾	1⅝	7¼	1⅞	3⅞	¾	1¼	..
I								
Industrial Rayon	....	....	32¼	19⅜	33	23½	26	1.68
Ingersoll-Rand	78	19⅛	73¾	49½	88	60½	84	2
International Business Machines	153¼	75¾	164	131	184½	149¼	174	*6
Inter. Cement	40	6⅛	37¾	18⅜	33	22⅞	29	1
Inter. Harvester	46	13⅝	46⅞	23¼	44½	34⅛	40	.60
Inter. Nickel	23¼	6¾	29¼	21	29⅜	22¼	27¼	.60
Inter. Tel. & Tel.	21¾	5⅛	17¾	7½	9⅞	5⅝	8⅛	..
J								
Jewel Tea Co., Inc	45	23	57½	33	59	49	56¼	3
Johns-Manville	63½	12¼	66⅜	39	57⅜	38½	46¼	‡.25
K								
Kelvinator	15⅝	3⅛	21¼	11⅝	18¼	14	14	*.50
Kennecott Copper	26	7⅜	23⅛	16	21¼	13¾	17⅞	.60
Kroger Grocery & Baking	35⅝	14½	33⅝	23¼	28¾	22¼	24⅞	1.60
L								
Lambert Co	41⅛	19⅜	31¾	22¼	28½	24	26⅝	3
Lehman Corp	79⅜	37½	78	68¼	79¼	67⅛	76¾	*2.40
Libbey-Owens-Ford	37⅜	4¾	43⅞	22½	32¾	21½	27¾	1.20
Liggett & Myers Tob. B	99⅜	49¼	111¼	74½	113	93¾	110¾	*4
Loew's, Inc	36½	8½	37	20⅜	41⅞	31¼	38⅞	2
Loose-Wiles Biscuit	44¾	19¼	44¾	33¼	36¼	33	34⅝	2
Lorillard	25¼	10⅜	22½	15¾	21⅝	18½	20¼	*1.20
M								
Mack Truck, Inc	46⅜	13½	41¾	22	28⅛	19¼	19½	1
Macy (R. H.)	65¾	24¼	62⅛	35¼	44¼	30½	38¾	2

DIVIDENDS

ARMOUR AND COMPANY
(ILLINOIS)

On May 17 a quarterly dividend of one dollar and fifty cents ($1.50) per share on the $6.00 prior preferred stock and a dividend of one dollar and fifty cents ($1.50) per share on the 7% preferred stock of the above corporation were declared by the Board of Directors, both payable July 1, 1935, to stockholders of record at the close of business June 10, 1935.

E. L. LALUMIER, *Secretary*

ARMOUR AND COMPANY
OF DELAWARE

On May 17 a quarterly dividend of one and three-fourths per cent (1¾%) per share on the preferred stock of the above corporation was declared by the Board of Directors, payable July 1, 1935, to stockholders of record at the close of business June 10, 1935.

E. L. LALUMIER, *Secretary*

ALLIED CHEMICAL & DYE CORPORATION
61 Broadway, New York

May 28, 1935

Allied Chemical & Dye Corportion has declared quarterly dividend No. 58 of one and three-quarters per cent (1¾%) on the Preferred Stock of the Company, payable July 1, 1935, to preferred stockholders of record at the close of business June 11, 1935.

W. C. KING, Secretary.

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1933 High	1933 Low	1934 High	1934 Low	1935 High	1935 Low	Last Sale 5/29/35	Div'd $ Per Share
M								
Mathieson Alkali	46⅝	14	40¾	23½	32	23¾	28½	1½
May Dept. Stores	33	9¾	45¾	30	44¾	35⅞	42	1.60
McIntyre, Porcupine	48⅜	18	50½	30½	45⅝	36⅝	41⅛	2
McKeesport Tin Plate	95¾	44⅛	95⅛	79	116	90½	108	4
Mesta Machine Co	21	7	34¾	20⅛	32	24⅛	29	1½
Monsanto Chemical	83	25	96½	39	77	55	72	1
Montgomery Ward & Co	28⅞	8⅝	35⅝	20	30½	21¾	25¾	..
N								
Nash Motor Co	27	11⅛	32¼	12⅝	19½	11	12¾	1
National Biscuit	60⅝	31½	49½	25⅞	30¼	22¼	25	1.60
National Cash Register	23⅝	5⅛	23⅝	12	18⅜	13½	14⅛	.50
National Dairy Products	25¾	10½	18¾	13	17⅛	12⅞	15	1.20
National Distillers	35¼	20⅞	31⅝	16	29¼	23⅛	24½	2
National Lead Co	140	43¼	170	135	175¼	145	170	5
National Power & Light	20½	6⅞	15½	6⅝	9	4⅞	8¾	.80
National Steel	55⅛	15	58¼	34½	50⅞	40⅜	46⅝	*1
N. Y. Air Brake	23½	6⅛	28¾	11½	28¼	18½	21¾	..
Noranda Mines	38⅞	17⅜	45⅞	30¼	43	30¾	38	†2
North American Co	36½	12½	25¼	10¼	15⅞	9	15½	1
O								
Otis Elevator	25¼	10⅛	19⅜	12½	20⅝	11⅛	17½	.60
Owens Ill. Glass	96¾	31½	94	60	95¾	80	93½	4
P								
Pacific Gas & Electric	31⅞	15	23½	12⅜	21	13⅛	20⅜	1½
Pacific Lighting	43⅜	22	37	20¾	31¼	19	30¾	2.40
Packard Motor Car	6⅞	1¾	6⅝	2¾	5⅞	3½	3⅞	..
Paramount Publix	2½	⅛	5⅞	1¾	4¼	2¼	3⅜	..
Penney (J. C.)	56	19¼	74¼	51½	74	57¼	68½	2
Penick & Ford	60¾	25½	67	44⅝	76½	64½	74	3
Phelps Dodge Corp	18⅞	4½	18⅞	13¼	20⅜	12¾	17	‡.25
Phillips Petroleum	18¾	4¾	20¾	13⅜	23	13¾	20	1
Pillsbury Flour Mills	22½	9½	34¾	18½	35	31	34	1.60
Procter & Gamble	47½	19⅝	44⅜	33⅛	50	42⅜	48⅞	1½
Public Service of N. J.	57⅛	32⅝	45	25	33¼	20⅜	33⅛	2.40
Pullman, Inc	58⅛	18	59⅜	35¼	52⅞	34	39¼	3
R								
Radio Corp. of America	12¼	3	9⅛	4½	6	4	5⅛	..
Radio-Keith-Orpheum	5¾	1	4¼	1½	2⅝	1¼	1⅞	..
Raybestos-Manhattan	20⅝	5	23	14½	21	16½	19¼	1
Remington Rand	11¼	2½	13⅜	6	11¼	8	8	..
Republic Steel	23	4	25¾	10½	15½	9	12	..
Reynolds (R. J.) Tob. Cl. B	54¼	26½	53¾	39¾	51⅝	43⅛	49¼	3
S								
Safeway Stores	62⅜	28	57	38¼	46	37¼	40	3
Schenley Distillers	47	22	38⅞	17⅛	28½	22	25⅜	..
Sears, Roebuck & Co	47	12½	51¼	31	41⅜	31	38⅝	‡.75
Servel, Inc	7½	1½	9	4⅜	10⅛	7⅝	9	..
Shattuck (F. G.)	13¼	5¾	13⅞	6¾	9¼	7¼	7¾	.25
Shell Union Oil	11⅝	4	11½	6	11½	5½	9⅜	..
Socony-Vacuum Corp	17	6	19⅞	12½	15¾	11	13½	.60
So. Cal. Edison	28	14⅛	22⅛	10⅛	16⅜	10⅝	16	1.50
Spiegel May Stern Co	21½	1	76¾	64	79½	43⅞	56¾	..
Standard Brands	37⅝	13¾	25¼	17¼	19⅛	13⅝	14½	1
Standard Oil of Calif	45	19½	42⅞	26½	38⅞	27¾	34½	1
Standard Oil of Ind	....	....	32¾	23¼	27¼	23	25⅝	1
Standard Oil of N. J.	47½	22¾	50⅛	39¼	50½	35¾	45⅜	*1
Sterling Products	63	45¾	66½	47¼	67	58¾	61	3.80
Stewart-Warner	11½	2½	10⅝	4½	10¼	6⅝	9⅜	..
Stone & Webster	19¼	5½	13¼	3⅞	5½	2½	5¼	..
Sun Oil Co	59	35	74¼	51½	75½	60½	73	*1
T								
Texas Corp	30⅛	10¾	29⅜	19⅝	23¾	16½	20⅞	1
Texas Gulf Sulphur	45¼	15¼	43¼	30	36¾	28¾	33¾	2
Tide Water Assoc. Oil	11¾	3⅛	14⅜	8	12	7⅝	10½	..
Timken Roller Bearing	35½	13¾	41	24	36¾	28⅜	33½	*1
Trico Products	38⅞	20⅛	42½	33	42½	36	39¼	2.50
Tri-Continental Corp	8¾	2¾	6¾	3	4¼	1⅞	3¾	..
U								
Underwood-Elliott-Fisher	39½	9¼	58⅞	36	67	53¾	64¼	2
Union Carbide & Carbon	51⅞	19¾	50⅞	35⅞	61	44	56⅜	1.60
Union Oil of Cal	23⅜	8½	20½	11½	20⅛	14¾	18	1
United Aircraft	....	....	15¼	8⅛	15⅛	9⅞	12¼	..
United Carbon	38	10¼	50⅜	35	60⅛	46	55¾	2.40
United Corp	14½	4	8⅞	2⅛	3¼	1½	3⅛	..
United Corp. Pfd	40⅞	22⅛	37⅞	21¼	32	20¾	31⅞	3
United Fruit	68	23¼	77	59	92¾	71⅝	84⅞	3
United Gas Imp	25	13⅞	20⅛	11½	13⅞	9¼	13¾	1
U. S. Gypsum Co	53½	18	51¼	34¼	55¾	40½	53¼	1
U. S. Industrial Alcohol	94	13½	64¾	32	46¼	35⅛	42	2
U. S. Pipe & Fdy	22⅛	6⅛	33	15½	22	14¾	18½	.50
U. S. Rubber	25	2⅞	24	11	17¼	9⅛	12⅜	..
U. S. Smelting, Ref. & Mining	105⅝	13½	141	96⅝	124½	95	104½	‡4
U. S. Steel Corp	67½	23⅜	59⅞	29⅜	40⅛	27½	32¼	..
U. S. Steel Pfd	105½	53	99½	67¼	94	73⅝	86	2
V								
Vanadium Corp	36¼	7⅝	31¾	14	21¾	11¼	12⅝	..
W								
Warner Brothers Pictures	9⅛	1	8¼	2¾	4⅝	2¼	3½	..
Western Union Tel	77¼	17¼	66⅞	29½	34¾	20⅝	29½	..
Westinghouse Air Brake	35⅝	11¾	36	15⅞	27	18	21½	.50
Westinghouse Elec. & Mfg	58¾	19⅜	47¼	27⅞	50¼	32⅝	46⅛	..
Woolworth Co. (F. W)	50⅞	25⅛	55¼	41¼	61⅜	51	59½	2.40
Worthington Pump & Mach	39⅞	8	31⅞	13½	21½	11¾	15¾	..
Wrigley (Wm., Jr.)	57¼	34½	76	54½	82¾	73¾	81	*3

‡ Paid this year. * Including extras. † Paid last year.

Answers to Inquiries

(Continued from page 200)

enables different metals to be extracted from the same ore by raising the temperatures used during the extraction process. Although we do not wish to over-emphasize the importance at this time of American Machine's entrance into the chemical research field, because this end of the business is but a small part of the company's total, nevertheless, we do wish to point out that the future here has marked expansion possibilities. Aside from this new field, however, earnings from the main division of its business seem ample to protect the present dividend and, in our opinon, the shrewd management gives further long pull protection to those interested is the shares of this company.

ERIE RAILROAD CO.

I have 100 shares of Erie R.R. common averaging 16½. I am under no compulsion to sell should you feel retention warranted; but in view of its lack of buoyancy in recent sessions, I am wondering if this course is desirable.—P. C. J., Portland, Ore.

Under the control of the Van Sweringen interests, managerial efficiency was just becoming evident in the affairs of the Erie Railroad Co. as depression influences struck the rich industrial sections served by its lines. After having reached an all time high of $11,677,710 in 1929, equal to $6.04 a share on the common stock, after allowing for preferred dividends, net receded to $4,171,149 or $1.07 a share on the common in the following year. By 1932 revenues had fallen to such a low point that only approximately 81% of fixed charges were earned in that year. 1933 witnessed some earnings improvement due to generally better business conditions throughout the territory served by the road and fixed charges were covered by a narrow margin. Last year the coverage dropped to .96 times due largely to higher operating costs and a decline in "other income" which represents dividends received from investments in the company's coal interests, rent, etc. Although the company's funded debt is heavy, amounting to about $117,500 per mile, the favorable character of the territory served should allow the reattainment of at least a sizable portion of its former level of earnings as general business conditions become more normal. In the meantime, the road is faced with no insurmountable financial problems and with Congress likely to give consideration to regulation of bus and

truck competition, present prices for the common stock would seem to liberally discount the improbability of worthwhile earnings thereon for some time to come. Thus, if you are in a position to assume the obvious risks involved in a situation of this type retention of your holdings is suggested.

PHILIP MORRIS & CO., LTD.

I understand Philip Morris may earn from $3.50 to $4 this year. In your opinion are earnings like these discounted in the present quotations of its stock? Do you still think it can be bought for investment and income?—A. S. C., Providence, R. I.

In our opinion, a foresighted and kindly management is very largely responsible for the outstanding success which has been enjoyed by this company. This is especially true when consideration is given to the fact that 85% of the domestic cigarette business is divided between three companies. This makes the 300% gain in sales and earnings by Philip Morris, Ltd., for the year ended March 31, 1935, a factor worthy of more than just passing notice. In building up this organization, the management has impressed the entire personnel with a "sales" viewpoint. The organization as a whole from office boy to officers is a well developed unit, and acts as such. Suggestions are welcomed, and there seems to be an absence of politics in the entire organization which functions harmoniously. As a matter of fact, as a result of unified efforts, it has not been necessary to cut salaries or wages at any time during the depression. Probably in very few corporations today is there in evidence so high a degree of personalized loyalty on the part of personnel as there is in the Philip Morris Co. toward its management and especially toward its president. The income account for the year-ended March 31, 1935, showed a net income of $1,556,566 equivalent to $3.75 a share on the capital stock as against $503,661 or $1.21 for the period ended March 31, 1933. As of March 31, 1935, current assets including about $2,000,000 in cash and marketable securities carried at cost, were $8,383,109 whereas current liabilities were $3,677,921. It was further reported by Mr. McKidderick, president, that bank loans of $2,550,000 which were necessary in order to finance purchases of certain assets of Philip Morris Consolidated, Inc., and of Continental Tobacco Co., had been reduced by $150,000, thus further strengthening the company's position. The company has no funded debt ahead of the 415,465 shares of capital stock and it can very readily be seen, therefore, that the amount paid out last year in dividends was a very small part of the total earnings for the year. With Philip Morris continuing to show substantial gains in each month over the preceding month, until it ranks at the present time as the fifth largest selling cigarette in the country, with "Marlboro," the company's high priced cigarette also showing current gains, we feel that these shares at current levels should have a very worthwhile place in a well-rounded portfolio—both from the standpoint of investment and income as well.

AMERICAN SAFETY RAZOR CORP.

What are your views on the prospects for American Safety Razor Corp. from now on? I bought 100 shares on margin at 54, and I am thinking of taking up this stock for investment and income.—I. L. P., New York, N. Y.

In 1934, American Safety Razor Corp. established a record for unit sales, and operating income rose to $1,415,584, the highest since 1930, and compared with $1,315,855 in 1933. The net income for 1934 was reported at $1,065,234 equivalent to $6.09 a share on the capital stock outstanding compared with $736,219 or $4.21 for the previous year. Despite the intense competition under which this company has been laboring for some time, it has risen to the second largest domestic manufacturer of safety razors and blades, and during the depression was able to maintain a relatively normal market for its products. The company has benefited from highly organized marketing outlets, and through its various national campaigns for distribution of its new "Gem Micromatic" razor and blades. As of the year-end, current assets reached the highest level since 1928 and were reported at $4,310,758 whereas current liabilities were only $535,102. Recognizing the intense competition in the industry from cheaper lines and price concessions given by other manufacturers, American Safety Razor has maintained a sound trade position without resort to any such practice and in addition has broadened its operations over the more recent years to include the fabrication of brushes and other allied shaving materials. The company has no funded debt, and only 174,830 shares of outstanding capital stock. While we do not look for any more than nominal improvement over the medium term, as far as earnings are concerned, nevertheless, the outlook does suggest sustained demand for this company's products and consequently, in our opinion, we feel that the issue has worth while possibilities for those interested in the investment value of its shares. In spite of the fact that at current levels you have considerable profit in your holdings, we see no reason for liquidation at this time.

GENERAL CABLE CORP.

I have 200 shares of General Cable common on which I am now even. I understand the company is still operating at a loss, but offers "inflation possibilities": I will, therefore, appreciate your advising me if further holding is advisable.—D. F. E., Savannah, Ga.

Manufacturing a broad line of copper wire and cables, the General Cable Corp. was hard hit by the practical cessation of purchases by the utilities early in the depression with the result that heavy operating losses have been reported in each of the past five years. Nevertheless, the balance sheet dated December 31, last, revealed a strong financial condition; current assets of $7,925,779, including cash of $1,745,976, compared with current liabilities of $917,504. Thus, it is apparent that the organization is in a position to withstand a period of further losses if this is necessary. Judging from recent quarterly reports, some improvement is taking place in the company's business and with inventories of many of its principal customers at an exceptionally low level, returning confidence in the outlook for the capital goods industry should find reflection in revenues of the subject organization. Of course, the continued pressure for lower electric rates in most sections of the country continues to militate against heavy purchases by the utilities, but the construction industries generally, under stimulus afforded by government financial aid gives promise of definite improvement over early future months. Unpaid accumulated dividends due holders of the preferred stock are substantial and place the common stock a long way from earnings, even granting a substantial improvement, but in consideration of present low quotations for the junior equity we suggest retention of holdings on a price basis.

CHILDS CO.

I am told that by summer food prices will be double those of a year ago. May I ask, therefore, how this would affect the earnings of Childs Co.; also how you look on this stock, bought at 7, as a speculation?—N. D. G., Cedar Rapids, Iowa.

For the year ended December 31, 1934, Childs Co. reported a net loss of $35,071 which was considerably less than the deficit of $223,112 reported in the previous year. Although sales during the period increased appreciably, in spite of higher operating

costs, the modernization plan carried on by the company in renovating many of its restaurants cut materially into earnings. However, in the opinion of the management this was necessary not only to hold its patrons, but also to increase its clientele as time goes on, and could be effected more reasonably last year than later on because of rising prices. At the end of the year 104 restaurants were in operation, three having been closed during the year because of unprofitable locations and during that same period 27 of the older restaurants were remodelled. Then, too, liquor sales last year did not net the profit which the company anticipated because of the higher operating costs under various code regulations. Business in January and February was somewhat behind the closing months of 1934 and resulted in a small loss for the first quarter of the current year, although with an increase in employment and a more free attitude on the part of the spending public, the company's earnings should show up better. Currently, however, there has been a small increase in the menu prices to cover some of the increased costs of operation and the company, at the present time, is embarking upon a newspaper advertising campaign, talking up the many innovations and changes which have been inaugurated over the past year. Although we do not contemplate any marked spurt in earnings over the near or medium term, we do feel that over the longer pull this company should do better and considering the level at which your shares were purchased, we see no current reason for taking a loss on them through their sale at this time.

CORN PRODUCTS REFINING CO.

Please give me your views on Corn Products Refining at this time. Do you think it now fully discounts further business improvement? I am thinking of buying 50 shares, adding to 50 bought at 62¼, but first I would like your advice.—R. T. B., Dallas, Tex.

For 1934, Corn Products Refining Co. reported earnings of $3.16 a share on the common stock against $3.87 a share in 1933 and for the first quarter of the current year, earnings of 67 cents against 74 cents for the first quarter of last year. These decreased earnings are attributable very largely to the lower rate of operations primarily because of the comparatively small "grind" during the first part of 1934. This was necessitated because in the closing months of 1933 the industry operated at an unprecedentedly heavy rate. Because of the anticipated processing tax on corn which did not develop, customers were stocking up in advance, and more recently, the importation of duty-free tapioca and sago starches has been the cause of the low rate of operations. Although earnings are not rising, especially at this time, nevertheless, this company is strongly entrenched and at the year-end, total current assets were $53,798,221 including over $37,000,000 in cash and marketable securities (at cost), whereas current liabilities were only $7,705,195. A world leader in its industry, this company enjoys diversified markets—about one-third of the company's sales are in the packaged products sold under various and widely-advertised brands, another third of its products are sold in bulk in the form of various corn derivatives, and its third and probably largest outlet is the grocery trade and manufacturers of confections. During the last decade the company has spread out its interests so that it now, through affiliations, operates plants in Canada, England, Germany, France, Holland, Argentina, and Japan, and through its keen management operates its own selling branches in all of these important countries. While the immediate future may witness no pronounced rise in this company's earnings, nevertheless, in our opinion as industrial recovery progresses and consumer purchasing power increases, these factors should certainly be reflected in earnings of Corn Products. For the long pull we suggest not only continued retention of your present holdings but feel that further purchases are advisable at current levels.

LOEW'S, INC.

Please comment on my prospects as an investor in Loew's, Inc., with particular emphasis on the possibilities for further price appreciation and for increased dividends.—E. W., Bridgeport, Conn.

The most recent report of Loew's, Inc., is that for the 28 weeks ended March 14, 1935, when net profit of $4,345,337 was equal, after dividend requirements on the preferred stock, to $2.64 a share on the common stock. This compared with a net profit of $3,973,472 or $2.38 a share on the common for the like interval a year earlier. Results in the second quarter of the current fiscal year or for the 16 weeks ended March 14, last, were somewhat below those for the 1934 period, having amounted to $1.41 a common share against $1.44 a share. This showing may be accounted for by the fact that certain of its feature films, including the widely acclaimed "David Copperfield" had long showings at preferred theaters before being released to the trade generally, with the result that charge offs against these films were excessive in relation to income during the period. Nevertheless, the popularity of these films should find full reflection in the earnings report of the company for the 12 weeks ended June 8 and indications are that an improvement will be shown over the $1.07 a share reported for the same period of last year. By and large, the motion picture industry throughout the country seems to be definitely headed toward more prosperous times and while certain of the sections in which Loew's is heavily concentrated, notably, New York City, are said to be showing very little growth in box office receipts, further trade recovery should find reflection in the company's earnings. The company's financial position is said to be the best in its history and places the management in a position to acquire new theater properties as conditions warrant and to affect a sizable saving in interest charges by favorable loans at low interest rates. On May 15 directors of Metro-Goldwyn Pictures Corp., subsidiary, voted to retire all of the outstanding preferred stock of this company. With sizable savings indicated along this line and with the company's current earnings substantially above the present $2 annual dividend requirements, some increase in the present rate seems a reasonable expectation and maintenance of your long position in the stock is deemed amply warranted.

Inflation Takes Hold

(*Continued from page* 171)

a level not higher than the average of 1923-1929 and quite probably somewhat below it; and that such a rise is likely to be accompanied by a proportionate, or almost proportionate, rise in the average individual income and purchasing power.

Bearing upon this prospect, the record of what *has* happened to the dollar's purchasing power since March, 1933, is to the point. Considering the fanfare of monetary tinkering and the artificial influence of N R A within this generally inflationary period, it is somewhat surprising to note that the purchasing value of the dollar has declined by only approximately 14 per cent since March, 1933, as measured by the cost of living index of the National Industrial Conference Board. Taking the 1923 dollar's purchasing value as 100 cents, the dollar's value on April 1 in meeting the cost of living was 120.2 cents, as compared with 139.9 cents at the end of March, 1933.

According to the same index, the cost of living on April 1 was 83.2 per cent of the 1923 level, as compared with 71.5 per cent at the end of March,

1933. Two reservations must be noted, however, for this index estimates the cost of living for wage-earners only and in the family budget allows a weight of 33 per cent for food and 12 per cent for clothing. These two items have accounted for the larger part of the advance in this index. While the sharp rise in food prices has unquestionably borne heavily on wage-workers and workers of small salary, food prices were at a record-breaking low in early 1933 and even now are lower, in terms of the 1923-1929 average, than the great majority of finished goods. Moreover, wage-workers in particular have experienced a recovery in purchasing power, in the aggregate, exceeding the 14 per cent increase in the general cost of living.

For the nation as a whole, the advance in living costs undoubtedly is considerably less than 14 per cent, for outside of the lowest income brackets, food does not make up 33 per cent of the family budget. Against the rise in food, the important item of rent has shown a very small gain; and such gain as has been recorded in average income has tended to lighten the fixed burden of such generally unchanged items—important to millions—as real estate taxes, insurance, interest on mortgages, public utility services, etc.

In short, regardless of its gold content, the dollar has come through a rather exciting two-year period with nothing very exciting happening to its purchasing power. On the evidence today, the prospect that its buying power will be shaved somewhat further over the next year to eighteen months can probably be contemplated with reasonable equanimity. Beyond that—the answer lies with business recovery and the Federal budget.

For Profit and Income

(*Continued from page* 191)

center in military craft; Curtiss-Wright, a large organization, whose military and commercial planes and famous "Cyclone" and "Whirlwind" engines are known abroad almost as well as in this country; and finally Douglas Aircraft, whose remarkable large transports are now breaking records right and left. Nor must one forget the aircraft accessory companies; indeed, possibly the prospect enjoyed by the latter are the best of all, for they are apt to benefit no matter what particular manufacturer of airplanes proper happens to be doing the most business. Companies in this field include the Sperry Corp., whose robot pilots and navigational instruments have made such a name for themselves; and Ex-Cell-O Aircraft & Tool, makers of precision parts of various kinds, many of which find their way into planes.

* * *

High Prices for Silver

The mandate to acquire silver until the government stock of the metal equals one-quarter of its stock of gold has turned out to be a useful tool in the hands of the Treasury Department. However much one may decry the principle of the silver buying policy or question the ultimate outcome, nevertheless it is used to advantage in regulating the exchange rate of the dollar, as a club in trade negotiations and as a potent argument in domestic politics.

If the forces of deflation become too pronounced as a result of the Supreme Court's recent decisions or as a consequence of revaluation of gold bloc currencies, a rise in the silver price may provide an offsetting inflationary fillip. Even without such provocation some increase is shortly expected. The world price has again approached that of the Treasury which has remained constant at 71 cents for several weeks. There are indications that a 90-cent price is not too remote. This of course would find prompt reflection in the shares of silver producers.

The accelerated output ensuing should have little effect on copper of which silver is a by-product in many deposits, but it might undo some of the recent advances or at least check further gains in the price of lead in which metal stocks are considered large, for lead may be considered a by-product of silver in many mines.

Real Estate and Building Reviving

(*Continued from page* 180)

inflation. The urban mortgage loans made by 47 life insurance companies increased during 1934 by about $15,000,000, or 50 per cent over those of 1933 and so far this year there has been a pronounced advance over 1934. Insurance companies reached their low in farm mortgages in September, 1934. Formerly these companies had mortgages taking up as high as 60 per cent of their portfolios; during the deadly years the percentage of insurance money going monthly into mortgages has been as low as 2 per cent, whereas Government securities once filling only a 10 per cent niche are now absorbing around 77 per cent and in September of last year took 87 per cent.

An impressive number of life insurance companies have been approved as mortgagees under F H A insurance, and they are rearranging their portfolios in order to make room for very large amounts of insured loans. The mortgage insurance feature costs or requires the ear marking of ½ of 1 per cent of the loan in addition to the yearly amortization payments. Some of it may be expected to come back in the way of reduction of the principal and shortening of the payment period, but in the meantime the borrower sees that premium going out regularly in his installments. That gives the private lender a bit of an edge. The Prudential Life, for example, without aid of F H A insurance, is lending at easier rates than the insured lenders. That company is lending on a sliding scale from 4½ to 6 per cent, but the "commission" is still in the picture.

A Stabilized Mortgage Market

As a long-time reform, however, the big thing about the many-headed F H A enterprise is the rationalization and stabilization of the mortgage market. Interest rates are put down because they are insured; but more than that, the principal and incidental costs of building loans are reduced through the introduction of the amortization principle as a feature of the residence loan. Building and Loan association loans have always been on the amortization basis, but low appraisements in the past left need and room for tricky second and third mortgages, inflated in principal and high in interest, renewal and other charges. The bewildered buyer faced a string of mortgages and a flock of "premiums," "commissions" and fees. The conventional three or five-year first mortgage has generally cost 1 per cent commission, initially and at each renewal, although it was not expected to be paid when due. With amortization in general practice, the mortgage debt of the country will always have a curtailing power working on it. Based on a standardized system of appraisal available through the 63 branches of the F H A, any property owner can get a dependable appraisal at moderate cost. It will almost certainly be considerably higher than lending appraisals have been the last three or four years. This virtual governmental appraisal system, backed by insurance, is working a stiffening of real estate valuations and prices. It corresponds to official inspection and grading in commodities. The next step is to create a dependable national mortgage market. If the proposed F H A national mortgage loan associations do not turn that trick or the big national lenders, like the insurance companies, do not

spontaneously provide such a market, the R F C will finance the associations. With a dependable haven for surplus mortgages, banks and other original lending agencies will become active lenders; at least pending general commercial revival.

And yet mortgage foreclosures—all kinds together—made their next to all-time monthly record in March of 17,690 and the first quarter of 1935 was a record-breaker with 50,712 foreclosures. Optimistic explanation—final mopping up of hopeless wreckage and debris.

The Campaign of Stimulation

Ballyhoo counts in any popular campaign, whether genuine or fake. The F H A has supplied unlimited ballyhoo of a refined and conservative nature. Everything decently permissible on earth, under and over, has been done by F H A and its regional, state and local representatives, paid and volunteer, to arouse interest and will to build or rebuild. Manufacturers—General Electric, for instance, with its 63 sample modern homes in various parts, its architectural competition—newspaper model homes projects, modernizing crusades, propaganda, movies, etc., have been sicked onto the wary public—which increasingly tends to bite at the house-and-lot bait.

The general real estate situation is now that of abundant loan funds at easy rates and long terms confronted by a need for millions of new homes, public confidence in real estate as "the basis of all wealth" (as the ads used to have it) reviving, rents rising, prices stiffening, mortgages in demand, improvements and new building on a good start.

A Belated Booster

Industrial production has been rising for almost three years without the help of real estate activity, once considered the prime mover of recoveries. Now comes the construction revival, as a belated booster. What will be the effect on business in general, and the securities market in particular? I stood on the observation platform of a 15-coach train once at the summit of the Raton Pass on the Santa Fe. We were barely moving and all the passengers were batedly breathing in unison with the tired puffing of the locomotive. A booster engine came up behind—and we charged up to the summit—triumphantly and pridefully. The real estate booster has come late, but for that reason it has less of a job to do in hoisting recovery over the top. Do I need to say more? When real estate shines the business scene glows brightly and the investment markets buzz.

MARKET STATISTICS

	N. Y. Times	Dow, Jones Avgs.		N. Y. Times 50 Stocks		
	40 Bonds	30 Indus.	20 Rails	High	Low	Sales
Monday, May 6	80.87	110.53	30.42	88.53	87.18	1,027,640
Tuesday, May 7	80.52	109.79	29.83	87.45	86.23	814,210
Wednesday, May 8	80.57	112.63	30.28	88.84	86.88	1,394,760
Thursday, May 9	80.60	113.10	30.65	89.80	88.43	1,654,800
Friday, May 10	80.76	113.67	30.47	90.64	88.98	1,582,560
Saturday, May 11	80.86	114.08	30.71	90.66	89.80	634,660
Monday, May 13	80.88	114.23	31.22	91.53	90.17	1,125,120
Tuesday, May 14	80.82	114.18	31.23	91.47	90.17	1,207,805
Wednesday, May 15	80.88	114.61	31.67	91.64	90.57	1,052,020
Thursday, May 16	81.05	116.58	32.09	92.79	91.24	2,421,740
Friday, May 17	81.01	115.81	31.60	92.50	91.03	1,821,400
Saturday, May 18	80.96	114.58	31.38	91.27	90.28	600,460
Monday, May 20	80.81	114.67	31.32	91.20	90.42	972,052
Tuesday, May 21	80.76	115.56	31.22	92.15	90.64	1,139,380
Wednesday, May 22	80.67	116.24	31.16	92.52	91.29	1,147,341
Thursday, May 23	80.71	116.81	31.20	92.77	91.76	1,286,930
Friday, May 24	80.86	116.17	31.67	93.00	91.73	1,181,450
Saturday, May 25	80.84	115.90	31.65	92.18	91.64	492,830
Monday, May 27	80.84	116.90	32.00	92.91	91.77	823,165
Tuesday, May 28	80.77	113.76	31.44	93.71	90.46	2,307,070
Wednesday, May 29	80.61	111.85	30.96	91.10	89.46	1,494,370
Thursday, May 30	HOLIDAY—EXCHANGE CLOSED					
Friday, May 31	80.48	110.64	30.68	90.44	88.74	1,124,270
Saturday, June 1	80.28	109.74	30.48	88.42	87.52	676,450

Nineteen Billion Dollars On the Spot

(Continued from page 184)

designed by the academic economists would leave them still unperturbed.

But these efforts which threaten privately owned and operated public utilities by the simple method of driving them out of business at the expense of the tax-payers may not be so successful as expected. In any large power project one of the most important factors is a market for wholesale power and industry, the customer for wholesale power, is showing little inclination to move into the Tennessee Valley area. Communities seem reluctant to take on the liability of local plants or local distributing systems—even though the Government is ready and eager to loan them the necessary funds. Domestic consumers are not turning from gas to electricity for cooking and heating water the way it was thought they would. So we have the Wheeler-Rayburn Bill designed to destroy the public utility holding companies—the one great agency which has been responsible for the quality of the electric light and power service we are getting today—and thereby weaken the operating companies.

The Wheeler-Rayburn Bill, in its present form, is not a bill for regulation or reform. It is intended to destroy. It is so far reaching in its direct effects and is of such significance in what it foreshadows for the future of all business that it would take a book of many pages to cover it even in the broadest outline.

It is no exaggeration to say that its passage in its present form will seriously affect the value of many public utility holding company stock issues. It provides for the dissolution of all "unnecessary" holding companies and, by its wording, includes in its definition of a holding company many of the largest operating companies in the country.

It is not a question of the investor getting two red stock certificates for one green one, as has happened in various famous unscramblings. It is a question of whether any salvage at all would be possible under the compulsory liquidation of companies whose assets, even at the present depreciated values, probably total at least 3 billion dollars. It would be necessary to convert the common stock equities constituting the assets of the holding companies into cash to pay off the senior securities of the latter. These large scale conversions cannot be accomplished without depressing market values to the vanishing point.

Nobody would gain anything from all this. Many investors in holding company securities would be wiped out. The bondholder of operating companies would suffer because under the fixing of rates upon the "prudent cost" theory prescribed by the bill, it is conceivable that income might shrink to a point where even the best of bonds could no longer qualify as legal investments, although public utility bond values are holding up remarkably well. The consumer will lose because the cost of service would be greatly increased. Only the radicals, who would see government operation immeasurably advanced by this slaughter, would come out ahead.

All the arts of publicity and subterfuge have been used to influence public opinion in behalf of this act. Although its office was in New York, the New York Power Authority issued from the White House itself, last November, a widely heralded report in which it arrived at some extraordinary figures as to what it thought electric power should be sold for and proclaimed a grotesque sum of money which it represented as constituting an overcharge upon the consumer.

The Federal Trade Commission carefully saved up some of what it had considered the most damaging of its so-called "revelations" and was hurried into presenting them to the public in the month immediately after the opening of Congress.

The Wheeler-Rayburn Bill was then introduced and speeded up with a special message from the President himself. When aroused public opinion against the bill began to make itself felt, the Federal Power Commission took a hand in a series of sensational press releases, endeavored to create further support for the Government by raising the specter of a "power shortage" founded upon a hypothetical war and a still more problematical return to 1929 levels of business activity.

However, the recent N R A decisions of the U. S. Supreme Court has given pause to the radical group in Congress who, urged on by the President and his advisors, have been making every effort to get the Wheeler-Rayburn Bill report out and passed exactly "as is." The Government has received a number of set-backs in the lower courts with regard to the constitutionality of certain phases of the T V A administration and recent decisions, as in the N R A case, indicate that the Supreme Court may very well uphold the lower courts.

There is also that unfortunate question of T V A bookkeeping which the Comptroller-General of the United States criticizes after his recent audit of its accounts. In this he confirms Mr. Lillienthal who has frankly admitted that T V A could not compete with the private companies if its books were kept by the same standards as the private companies.

But underlying all of the attacks and counter attacks is the simple issue of oppressive, even destructive, governmental regulation on the one hand and the interests of consumers and investors on the other.

The interests of the latter must be safeguarded. The utility industry must not be permitted to forget its obligation to security holders, and securities represent dollars paid for work done, dollars saved by thrifty people. They were invested in good faith and the stocks and bonds for which they were exchanged bear the stamp of approval of the state governments and public service commissions.

It is also a solemn obligation of the insurance companies, the great banking interests and other fiduciary institutions to participate in the opposition to this menacing legislation.

Nor is it by any means a hopeless fight. The statistical position of the utilities has been steadily improving in spite of the attacks which have been made upon them. While their security values are far below those of a few years ago, they have held up remarkably well indicating that the investing public still has confidence in them and in their future. Moreover, there has

been some signs of weakening in both the House and Senate committees which are considering the Wheeler-Rayburn Bill. There is much talk of modification. The full force of adverse public opinion is making itself felt. Senators and Congressmen are beginning to realize that this is a more serious matter than simply a question of responding once more to the President's "musts" program.

Apart from the menace of this legislation, taxes loom as the next most serious threat to the public utilities; but taxes have been a serious menace to all American business, big or little, for some time and are becoming such a burden on the shoulders of the average citizen that he is almost ready to join any kind of a tax revolt. The electric light and power industry is already paying nearly 15 per cent of its gross income to government in the form of direct taxes. These taxes are a big item in operating costs and if additional taxes which cannot be passed on to the consumer are to be added, it is going to be extremely difficult for the companies to earn even a portion of the "fair return on the value of the property in use in the public service" to which they are entitled by law. The gas companies are paying more than 8 per cent of their gross income to government as direct taxes. The utilities are a prolific source of revenue for local, state and Federal governments—but there is a very distinct limit to the tax burden which any business can carry.

The agitation for lower and lower rates, which seems to be going on in all parts of the country, while making many investors exceedingly nervous need not be taken too seriously. Much of it is largely artificial—just a part of the general campaign designed to persuade the public that it is being "gypped" by the utilities. The average rates throughout the United States have a record of steady reductions, year by year, and most of them have been voluntary reductions. The utilities long ago learned the lesson of so-called "promotional rates." Heavy increases in demand—particularly in the field of domestic electricity—usually follows a heavy decrease in the rate as the use of household electricity increases. This stimulates the use of electricity for all sorts of purposes and the companies have found that this increase in volume more than off-sets the lower rates.

In addition, nation wide campaigns to stimulate the use of household electric appliances have been going on for years and this has greatly stimulated the demand for this class of service. People are finding out that many of the household tasks can be performed better and more cheaply by electricity than in any other way. This has resulted in increased volume and made possible voluntary reduction in rates which, in turn, have added to the demand.

While a casual reading of the newspapers—particularly the metropolitan newspapers—might indicate that the utilities are in a bad way and might eventually succumb to the varied and vicious attacks which are being made by Federal, state and local governments the situation could be infinitely worse and, in fact, shows some signs of getting better. The public is not responding to government propaganda as it was thought it would. Such rate reductions as are taking place are doing so in an orderly and more or less routine manner. The Government is not having an easy time with its efforts to run the privately owned and operated utilities out of business. The Wheeler-Rayburn Bill is being attacked from all sides and even if it does pass in its present form five years is a long time—this is the time limit it gives for liquidation of the holding companies—and a lot of things can happen in five years. With regard to taxes, the public must sooner or later realize that the efforts to tax the utilities out of business is all a part and parcel of the same scheme and reject it just as it will reject such punitive legislation as the Wheeler-Rayburn Bill, price fixing by the government which makes it impossible to operate on a sound financial basis, and government competition which is resented by every right thinking person.

International Cement

(*Continued from page* 193)

about 6 to 1. Depreciation charges in 1934 amounted to $2,814,335, while interest, etc., totalled $979,434. The combined total of these items—$3,800,000—was the equivalent of about 28% of sales. As sales rise, the burden of these charges is lightened, but when sales are slumping they take a heavy toll of earnings, for there is no way in which they can be side-stepped.

Earnings Improve

With the gain in sales last year the company was able to show a profit of $666,730, as compared with a loss of $102,266 in 1933 and a loss of $1,436,367 in 1932. The company's most prosperous year was in 1928 when a sales volume of $27,600,000 produced a profit $5,149,388. Applied to the common stock, 1934 profits were equal to $1.04 a share. The balance sheet at the close of last year disclosed current assets of about $13,000,000, of

Over-the-Counter

ACTIVE ISSUES

Quotations as of Recent Date

INDUSTRIAL	Bid	Asked
American Book Co. (4)	67½	70½
Babcock & Wilcox (.40)	38½	40½
Bon Ami, B (*3)	42½	45
Canadian Celanese	23½	25
Colt Fire Arms (*1¼)	27	27¾
Crowell Publishing Co. (*1¼)	26¼	28¼
Dictaphone Corp. (.75)	29	31
Fajardo Sugar (1½)	90	94
National Casket (3)	53	57
Northwestern Yeast (8)	103	108
Scovil Mfg. (1)	21	22
Singer Mfg. Co. (*8½)	251	255
Wilcox & Gibbs (1)	20	23
PUBLIC UTILITIES		
Alabama Power Pfd. (7)	62	64
Carolina Power & Light Pfd. (7)	75	77
Central Maine Power Pfd. (6%)	48	51
Columbus Rwy. Pwr. & Lt. Pfd. (6)	91	93
Consumers Power Pfd (6%)	95¼	97
Dayton Power & Light Pfd. (6%)	107¾	109¾
Jersey Cent. Pwr. & Lt. Pfd. (7%)	63	67
Kansas Gas & Electric Pfd. (7%)	95	97
Metropolitan Edison Pfd. (6)	92	94
Nebraska Power Pfd. (7%)	109	111
New Jersey Pwr. & Lt., Pfd. (7%)	87	90
Ohio Public Service Pfd. (7%)	87	89
Pacific Gas & Elec. Pfd. (1.50)	24¾	25½
Pacific Power & Light Pfd. (7)	53	55
Puget Sound Pwr. & Lt. Pfd.	24	26
Tennessee Elec. Power Pfd. (6%)	56	58
Texas Power & Light Pfd. (7%)	87	89
Utilities Pwr. & Lgt. Pfd	5	6½
TELEPHONE & TELEGRAPH		
American Dist. Tel., N. J. (4)	85	88
Mountain States Tel. & Tel. (8)	111	114
Northwestern Bell Pfd. (6½)	114	115¾
Peninsular Telephone	7⅝	8⅞
Southern New England Tel. (6)	113½	115½

* Includes extras.

which half was in cash, and current liabilities amounted to only $1,279,528. Reflecting the gain in earnings, improved outlook and strong financial position, the company has paid two quarterly dividends of 25 cents each to common stockholders and it would appear that the shares are on a regular $1 dividend basis. From 1924 to 1930, the shares paid $4 annually: $3.75 in 1931; 50 cents in 1932; and none in 1933.

Naturally, intense interest has been manifested by the cement industry in the manner in which the $5,000,000,000 work-relief fund will be spent, and it is the confident expectation that the allocation of this fund inevitably will redound to the industry's benefit that forms the basis for the more promising outlook at this time.

Already projects aggregating $200,000,000 for the construction of highways, roads and streets have been approved and another $200,000,000 has been allocated for grade crossing elimination. There still remains some $100,000,000 unexpended balance for highway construction authorized by the Hayden-Cartwright Act. These sums represent only the projects which have been approved but their total will be greatly enlarged with the passage of time.

Apart from public projects, however, International Cement should benefit from the acceleration in residential construction now getting under way. The prospects for such building are discussed in detail elsewhere in this issue and indicate a steadily broadening market for cement.

In conjunction with this improved prospect, the unfavorable factors must also be considered. Chief among these is the threat of foreign competition which has been intensified by reduction in the tariff on Belgian cement from 6 cents to 4½ cents a hundred pounds, under the reciprocal trade agreement with that country. Belgium, therefore, with its low labor costs and with plenty of idle boats available will have some advantage in the markets along the Eastern Seaboard. Further, it is rumored that one of the world's largest makers of cement machinery in Denmark is financing the erection of a sizable new plant in the Lehigh Valley cement-producing district. And as if the threat of competition from these sources was not enough, the Government itself through the medium of Mr. Ickes, has expressed itself as dissatisfied with cement prices and has threatened to manufacture its own cement. This may be more smoke than fire but it is a factor that the cement industry can hardly regard with complacency.

Recognizing these adverse factors as essential to an adequate appraisal of the present outlook for the industry at this time, nevertheless, they seem largely outweighed by the prospect of a genuine revival in consumption and, in the case of International Cement, the company's impressive record under the varied conditions which have confronted it in the past.

International Cement has already made a good start this year, with profits in the initial quarter totalling $115,602, equal to 18 cents a share on the stock, as compared with 8 cents a share earned in the first three months of 1934. With industrial and financial vitality ably demonstrated, and with foreign subsidiaries likely to contribute a full share of recovery, the company

may well meet on even terms whatever conditions the industry presents in the future and continue to do better than average for the whole industry.

Amerada Corp.

(*Continued from page 196*)

in 857,000 acres of leasehold, royalties, mineral rights, etc., located in Oklahoma, Texas, New Mexico, Kansas and California. Through the means of extensive geophysical exploration, the company has been able to reduce its holdings of unproductive acreage and increase the potential value of acreage retained or acquired. The results of 1934 exploration and drilling activities were very satisfactory; additional reserves proven during the year considerably exceeded production, and at the

Earnings Per Share				
1933	1934	Recent Price	Div.	Yield
$0.50	$2.20	$64	$2.00	3.1%

end of the year proven underground reserves were larger than at any previous time.

In addition to charging the cost of geophysical exploration against current income, earnings also carry the burden of the entire intangible drilling costs of all wells, as well as ample allowances for depreciation and depletion. Net earnings are, therefore, conservatively stated. Properties are likewise carried at the conservative figure of $8,966,293, as against the original cost of $38,228,575, the difference being offset by reserves built up entirely out of earnings. The company has no bank loans or funded debt and at the beginning of 1935 current assets showed a ratio to current liabilities of 12 to 1. Cash was more than $3,600,000.

Last year the Amerada received an average of 98 cents a barrel for crude oil sold, as compared with 64 cents a barrel in 1933. As a result, the company reported the best earnings since 1930. Profits of $1,736,420, after depreciation and depletion, were equal to $2.20 a share on the 788,675 shares of capital stock outstanding. This compares with $380,443, or 50 cents a share on 767,375 shares in 1933. In the first quarter of this year, earnings were off moderately and were equal to 51 cents a share on the stock, as compared with 68 cents in the corresponding months of last year. This, however, may reflect nothing more serious than the operation of proration schedules, inasmuch as the price of crude oil

(*Please turn to page 219*)

In the Next Issue

Back to Democracy!

—Has the tide definitely turned away from radicalism to common sense?

—What new developments mean in terms of the Presidency next year?

—What industries will be benefited or handicapped in the new set-up?

By John D. C. Weldon

For Other Features See Page 161

KEEP POSTED

The pieces of literature listed below have been prepared with the utmost care by business houses advertising in this issue. They will be sent free upon request, direct from the issuing houses. Please ask for them by number. We urge our readers to take full advantage of this service. Address Keep Posted Department, The Magazine of Wall Street, 90 Broad Street, New York, N. Y.

"ODD LOT TRADING"

John Muir & Co., members New York Stock Exchange, are distributing their booklet to investors. (225)

WHEN TO BUY AND WHEN TO SELL

The Investment and Business Forecast, a security advisory service conducted by The Magazine of Wall Street for over 16 years, definitely advises subscribers what securities to buy and when to sell. Write for current weekly 8-page bulletin. (793)

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This handbook issued by Chisholm & Chapman, contains much helpful information for traders. A copy together with their Market Letter will be mailed upon request. (785)

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MARGIN REQUIREMENTS

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New York Curb Exchange

ACTIVE ISSUES

Quotations as of Recent Date

Name and Dividend	1935 Price Range High	Low	Recent Price
Alum. Co. of Amer.	61¾	32	51
Amer. Cyanamid B (.40)	20⅝	15	19⅛
Amer. Gas & Elec. (*1.40)	28¾	16⅝	27⅛
Amer. Superpower	1¼	½	1⅛
Assoc. Gas Elec. "A"	13/16	¼	⅝
Atlas Corp	10⅜	7⅜	9
Cities Service	2¼	¾	2⅛
Cities Service Pfd.	22½	6⅛	22
Colum. G. & E. cv. Pfd. (5)	64	32	59¾
Commonwealth Edison (4)	77⅜	47¼	72
Consol. Gas Balt. (3.60)	74	52⅝	72½
Cord Corp. (†.25)	4⅜	2⅛	2½
Crane Co	15	7	13½
Creole Petroleum	18½	10	17
Distillers Cp. Seag	18⅞	13⅝	15⅜
Elec. Bond & Share	8½	3½	8⅛
Elec. Bond & Share Pfd (6)	58½	37½	56
Elec. Pr. Assoc. A (.32)	4	2¼	4
Fisk Rubber	11¼	6⅝	6¾
Ford Mot. of Can. "A" (1¼)	32⅛	25¼	26¼
Ford Motor, Ltd. (10)	9¼	7⅛	8⅝
General Tire	71½	46	48
Glen Alden Coal (*1)	24	13⅝	15
Great A. & P. Tea N.-V. (*6)	139	121	129½
Greyhound Corp.	49⅛	20½	43⅝
Gulf Oil of Pa	74¾	50¼	65¾
Hudson Bay M. & S.	16¼	11½	14½
Humble Oil (1)	64	44	57¾
Imperial Oil (*.50)	22½	15⅜	19⅞
Lake Shore Mines (*2)	58	48	50½
National Sugar Ref. (2)	35	26½	26½
Niagara Hudson Pwr	5⅛	2½	5
Novadel-Agene (2)	22¾	18¾	20⅝
Pan-Amer. Airways (1)	44¼	38⅛	38¼
Pepperel Mfg. (6)	89½	52¾	67
Pitts. Pl. Glass (*2)	64⅝	46¾	61
Sherwin-Williams (3)	99	84	95½
South Penn Oil (1.20)	28⅜	21⅝	24
Swift & Co. (*.50)	19⅝	14⅝	15¾
Swift Int'l (2)	36¼	31	34½
United Founders	½	¼	⅜
United Lt. & Pwr. A	1⅜	⅝	1⅜
United Shoe Mach. (*2½)	84⅜	70	82½
Walker Hiram H. W.	32⅝	23½	24⅝

* Includes estras. † Paid last year.

REGARDLESS of the fate of N R A, in trading on the New York Curb Exchange over the past fortnight more stocks have advanced than have declined. The reason for this is that public utility issues make up a larger percentage of total active stocks on the Curb than is the case on the New York Stock Exchange, and the utilities continue to display a firm tone.

The reaction that followed the Supreme Court's N R A decision has centered mainly in oils, metals, sugars and other issues thought to be adversely affected by termination of the codes and resultant changes in price and competitive relationships. From recent highs some of the leading oils, such as Humble, Gulf and International Petroleum, have receded by from 3 to 7 points.

Technical Reaction Justified

Quite aside from the question of N R A, however, where sharp reaction has occurred it has centered for the most part in issues which previously had enjoyed very substantial advances. The market having had no technical correction of more than minor scope throughout the recovery from the middle of March, some part of the recession to date can be credited to normal technical factors. It does not by any means reflect the final opinion of the markets as to the longer business consequences to follow abandonment of N R A. In the opinion of the great majority of economists, the business recovery experienced to date has come in spite of N R A, not because of it.

Advance in Utilities

As to the utilities, the more hopeful speculative and investment sentiment which started some weeks ago has had some further strengthening. The prospect that the Wheeler-Rayburn Bill would be importantly modified has steadily become more hopeful. Moreover, the principles of basic law laid down in the N R A case would mean to cast considerable doubt on the legal validity of the pending utility legislation. Finally, the certainty that price-fixing is definitely out of the picture suggests the probability that the utilities—which derived no advantage whatever from N R A—may well derive some benefits from its termination, since there should be a trend toward at least moderately lower prices in many of the materials of which utilities are heavy buyers.

All in all, utility securities continue to be the brightest single spot in the market, in marked contrast with their situation only a few months ago. For bonds and preferred stocks demand continues especially strong. The past week has produced advances of 5 to 6 points in Commonwealth Edison and Duke Power, and of 2 to 11 points in various senior issues of Cities Service, Empire Gas & Fuel, National Power & Light, American Power & Light, and other issues that appear to have been on the bargain counter a short while ago.

(Continued from page 217)

has not declined. As a matter of fact, the present strong statistical position of crude, accompanied by rising gasoline prices, may be the forerunner of an advance in crude prices.

With the growing investment preference for the shares of oil companies owning extensive crude oil reserves, as a safeguard against possible inflation, Amerada appears to have been a favorite, as it well might be in the light of the fact that crude production of the company was one of the largest, on a per-share basis, of any of the leading companies. This feature is reflected in current quotations, which may seem rather generous on the basis of earnings, but the company's excellent record and indicated potentialities warrant favorable consideration for the shares among representative oil issues.

As I See It

(Continued from page 165)

past two years. It is to be hoped that they will profit by this lesson and will not let greed for profits run away with them in the same way that the Government let greed for power run away with it.

This weakness of over-reaching reminds me of the old fable which tells of the fisherman and his wife who lived in a hovel by the sea. One day when the fisherman cast his net he hauled in a tremendous fish and to his astonishment the fish spoke saying: "If you will set me free I will grant the wish that is dearest to your heart." Said the fisherman: "Then make it possible for me to have a house and garden of my own, that I may live in comfort for the rest of my life," and the fish replied "Your wish shall be granted,—go home and you will find your hovel transformed into a livable house. There will be a garden and you will enjoy the comforts which you so greatly desire." When he got home he found exactly as the fish had foretold and he lived happily for a time. Then the fisherman's wife was overcome with ambition and besought her husband to seek from the fish a higher place for them and they were granted a fine estate. Still not content, the restless wife demanded that she be made queen; and the couple became rulers of the land. Finally she sought control of the elements and sent her husband to the sea to make this ultimate demand of the fish, but the latter became very angry at such overweening ambition and in punishment sent the couple back to their original hut by the sea.

As always, over-reaching warps the judgment of the ambitious.

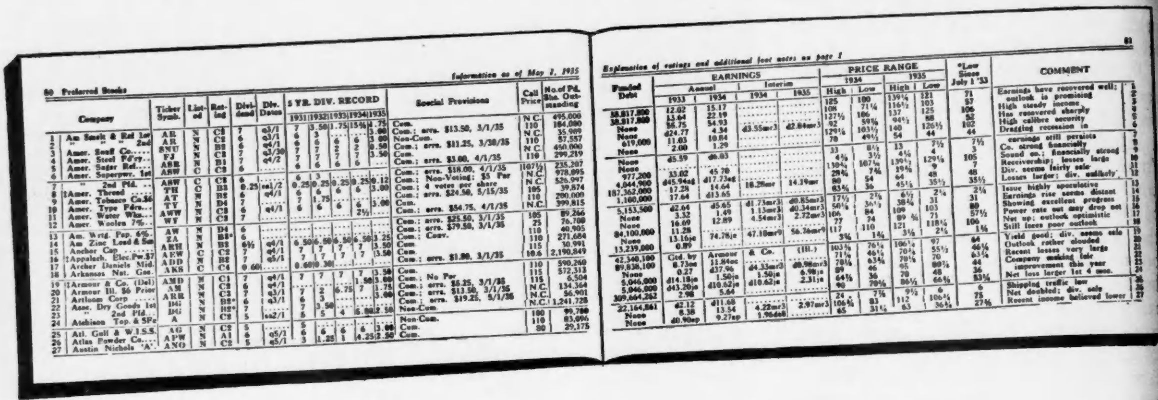
In the Next Issue

Possibilities Among the Cigarette Stocks

By STANLEY DEVLIN

Cigarette consumption is mounting to new levels and may be spurred even further. Certain companies can widen the advantage they now enjoy. An expert on tobacco investments discusses the prospects for the industry—points out those companies which, in our opinion, should show the greatest advances in the months to come.

★ **Note the timeliness of information in the "Preferred Stock" Section of Adjustable Stock Ratings —**



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